



COUNCIL CHAMBERS

17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

COUNCIL MEMBERS	REDEVELOPMENT AGENCY
Steve Tate, Mayor	Steve Tate, Chair
Larry Carr, Mayor Pro Tempore	Larry Carr, Vice-Chair
Mark Grzan, Council Member	Mark Grzan, Agency Member
Marby Lee, Council Member	Marby Lee, Agency Member
Greg Sellers, Council Member	Greg Sellers, Agency Member

WEDNESDAY, APRIL 4, 2007

AGENDA

JOINT MEETING

CITY COUNCIL REGULAR MEETING

and

REDEVELOPMENT AGENCY REGULAR MEETING

7:00 P.M.

CALL TO ORDER

(Mayor/Chairperson Tate)

ROLL CALL ATTENDANCE

(City Clerk/Agency Secretary Torrez)

DECLARATION OF POSTING OF AGENDA

Per Government Code 54954.2

(City Clerk/Agency Secretary Torrez)

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

INTRODUCTIONS

Troy Hoefling – Sergeant
Bill Norman – Corporal
Shane Palsgrove – Sergeant
Mindy Zen – Corporal
Chief Cumming

Sergio Marquez – Groundskeeper
Ismael Montes – Parks Maintenance Worker I
Juan Zamora – Parks Maintenance Worker II
Deputy Director Struve

PROCLAMATIONS

National Telecommunicators Week
Chief Cumming

Idalia Echegoyen – 2006 Dispatcher of the Year
Chief Cumming

RECOGNITIONS

CITY COUNCIL REPORTS

Mayor Tate

CITY COUNCIL COMMITTEE REPORTS

CITY MANAGER'S REPORT

CITY ATTORNEY'S REPORT

OTHER REPORTS

PUBLIC COMMENT

NOW IS THE TIME FOR COMMENTS FROM THE PUBLIC REGARDING ITEMS NOT ON THIS AGENDA.

(See notice attached to the end of this agenda.)

**PUBLIC COMMENTS ON ITEMS APPEARING ON THIS AGENDA WILL BE TAKEN AT THE TIME
THE ITEM IS ADDRESSED BY THE COUNCIL. PLEASE COMPLETE A SPEAKER CARD AND
PRESENT IT TO THE CITY CLERK.**

(See notice attached to the end of this agenda.)

**PLEASE SUBMIT WRITTEN CORRESPONDENCE TO THE CITY CLERK/AGENCY SECRETARY. THE
CITY CLERK/AGENCY SECRETARY WILL FORWARD CORRESPONDENCE TO THE CITY
COUNCIL/REDEVELOPMENT AGENCY.**

City Council and Redevelopment Agency Action

ADOPTION OF AGENDA

City Council Action

CONSENT CALENDAR:

ITEMS 1-8 The Consent Calendar may be acted upon with one motion, a second and the vote, by each respective Agency. The Consent Calendar items are of a routine or generally uncontested nature and may be acted upon with one motion. Pursuant to Section 5.1 of the City Council Rules of Conduct, any member of the Council or public may request to have an item pulled from the Consent Calendar to be acted upon individually.

Time Estimate

Page

Consent Calendar: 1 - 10 Minutes

1. **AWARD CONTRACT FOR CONSTRUCTION OF OUTDOOR SPORTS CENTER AND APPROVE/AMEND CONSULTANT AGREEMENTS FOR PROFESSIONAL SERVICES.....**
Recommended Action(s):
 1. **Approve** Project Plans and Specifications;
 2. **Award** Construction Contract to Interstate Grading and Paving, Inc. in the Amount of \$5,987,000;
 3. **Authorize** Contingency Funds Totalling \$2,251,548 for this Project; and
 4. **Authorize** the City Manager to Execute Various Consultant Agreements and Amendments for Professional Services During Construction per Memos; Subject to Review and Approval by the City Attorney.
2. **OUTDOOR SPORTS CENTER RENTAL RATES.....**
Recommended Action(s): **Approve** the Proposed Outdoor Sports Center Rental Rates Effective October 1, 2007, Through December 31, 2008.
3. **APPROPRIATE FUNDS FOR SUBSEQUENT REIMBURSEMENT AGREEMENT WITH LATALA FAMILY LP FOR LANDS OF LATALA**
Recommended Action(s): **Recognize** Additional Revenues and **Approve** the Appropriation of Funds for the Subsequent Reimbursement Agreement with Latala Family LP for Lands of Latala as Follows: 1) \$20,314.73 Increase 650-5710-37664 (Water Fund); 2) \$20,314.73 Increase 650-5710-42999 (Water Fund); 3) \$13,800.13 Increase 640-5900-37663 (Sewer Fund); and 4) \$13,800.13 Increase 640-5900-42999 (Sewer Fund).
4. **RESOLUTION APPROVING A RISK MANAGEMENT PROGRAM.....**
Recommended Action(s): **Adopt** the Resolution Approving a Risk Management Program.
5. **FINAL MAP APPROVAL FOR MALLORCA (TRACT 9803).....**
Recommended Action(s):
 1. **Approve** the Final Map, Subdivision Agreement, and Improvement Plans;
 2. **Authorize** the City Manager to Sign a Subdivision Improvement Agreement on Behalf of the City; Subject to Review and Approval by the City Attorney; and
 3. **Authorize** the Recordation of the Final Map and the Subdivision Improvement Agreement Following Recordation of the Development Improvement Agreement.

Time Estimate

Consent Calendar: 1 - 10 Minutes

Page

6. **COUNCIL RESOLUTION SUPPORTING GRANT FUNDING FOR BUTTERFIELD BOULEVARD EXTENSION**
Recommended Action(s): Adopt Resolution Supporting the Application for Grant Funds for the Extension of Butterfield Boulevard, Between Tennant Avenue and Watsonville Road.

7. **ADOPT ORDINANCE NO. 1821, NEW SERIES**
Recommended Action(s): Waive the Reading, and Adopt Ordinance No. 1821, New Series, and Declare That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING THE ZONING DESIGNATION FROM PUD (HC) (PLANNED UNIT DEVELOPMENT-HIGHWAY COMMERCIAL) TO HC (HIGHWAY COMMERCIAL) ON A 0.66-ACRE PARCEL (APN 726-43-004) ADJACENT TO AND SOUTHWESTERLY OF THE WALNUT GROVE DRIVE/LAUREL ROAD INTERSECTION (APPLICATION NO. ZA-06-06: LAUREL – JIFFY LUBE).**

8. **ADOPT ORDINANCE NO. 1822, NEW SERIES**
Recommended Action(s): Waive the Reading, and Adopt Ordinance No. 1822, New Series, and Declare That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING CHAPTER 18.76 (SIGN CODE) BY MODIFYING THE ELIGIBILITY REQUIREMENTS FOR FREEWAY SIGNS AND ESTABLISHING A PROCESS TO ALLOW AN OFF-SITE BUSINESS TO BE LOCATED ON A FREESTANDING MONUMENT SIGN (ZA 07-03: CITY OF MORGAN HILL – OFF-SITE SIGNS).**

City Council and Redevelopment Agency Action

CONSENT CALENDAR:

ITEM 9

Time Estimate

Consent Calendar: 1 - 10 Minutes

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9. **APPROVE REGULAR CITY COUNCIL AND REDEVELOPMENT AGENCY MEETING MINUTES OF MARCH 21, 2007**8

City Council Action

PUBLIC HEARINGS:

Time Estimate

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10. **10 Minutes** **ZONING AMENDMENT, ZA-07-04: CITY OF MORGAN HILL – DOWNTOWN PARKING EXEMPTION**38
 Public Hearing Opened.
 Please Limit Your Remarks to 3 Minutes. Public Hearing Closed
 Council Discussion.
 Action- **Motion to Waive** the Reading in Full of Ordinance.
 Action- **Motion to Introduce** Ordinance by Title Only. (Roll Call Vote)

City Council Action

OTHER BUSINESS:

	Time Estimate		Page
11.	20 Minutes	<u>SANTA CLARA COUNTY LIBRARY'S MOVING PLAN FOR THE MORGAN HILL LIBRARY</u>	46
		Recommended Action(s): Receive and File the Report by the Santa Clara County Library Regarding Moving Plans into the New Morgan Hill Library Building.	

City Council and Redevelopment Agency Action

OTHER BUSINESS:

	Time Estimate		Page
12.	15 Minutes	<u>FRIENDLY INN AND EL TORO YOUTH CENTER BUILDING POLICY STATEMENTS</u>	56
		Recommended Action(s):	
		1. Adopt the Recommended Policy Statements for the Friendly Inn and El Toro Youth Center Building;	
		2. Direct the City Manager to Meet with Community Solutions and Discuss Sustainable Budget Strategies for the El Toro Youth Center;	
		3. Direct the City Manager to Solicit Potential Tenants According to the Recommended Eligibility Criteria; and	
		4. Direct the City Manager to Recommend a Final List of Tenants for City Council Consideration by July 2007.	

Redevelopment Agency Action

OTHER BUSINESS:

	Time Estimate		Page
13.	15 Minutes	<u>LOAN REQUEST FROM EL TORO BREWING</u>	60
		Recommended Action(s): Consider Request for Financing from El Toro Brewing Company and, if Approved, Direct the Executive Director to Prepare and Negotiate an Agreement with El Toro and Return to the Agency for the Approval of the Agreement; Subject to Review and Approval by the Agency Counsel.	

City Council Action

OTHER BUSINESS:

	Time Estimate		Page
14.	10 Minutes	<u>REVIEW OF COUNCIL POLICY, CP-06-02: CITY COUNCIL & REDEVELOPMENT AGENCY MEETING SCHEDULE</u>	68
		Recommended Action(s):	
		1. Review the Adopted City Council – Redevelopment Agency Policy; and	
		2. Direct Staff Regarding any Recommended Changes.	

OTHER BUSINESS:

Time Estimate

Page

15. 10 Minutes **ENDORSEMENT OF SENATE BILL (SB) 840, UNIVERSAL HEALTH INSURANCE**.....72
Recommended Action(s): Council Member Grzan Recommends that the City Council **Adopt** a Resolution Expressing Support for Senate Bill (SB) 840, the California Health Insurance Bill and Urging the State Legislature and the Governor to Support SB 840.

FUTURE COUNCIL AGENCY-INITIATED AGENDA ITEMS:

Note: in accordance with Government Code Section 54954.2(a), there shall be no discussion, debate and/or action taken on any request other than providing direction to staff to place the matter of business on a future agenda.

City Council Action

CLOSED SESSION:

1.

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Authority: Government Code Sections 54956.9(b) & (c)

Number of Potential Cases: 1

OPPORTUNITY FOR PUBLIC COMMENT

ADJOURN TO CLOSED SESSION

RECONVENE

CLOSED SESSION ANNOUNCEMENT

ADJOURNMENT

PUBLIC COMMENTS ON ITEMS *NOT* APPEARING ON AGENDA

Following the opening of Council/Agency business, the public may present comments on items *NOT* appearing on the agenda that are within the Council's/Agency's jurisdiction. Should your comments require Council/Agency action, your request will be placed on the next appropriate agenda. No Council/Agency discussion or action may be taken until your item appears on a future agenda. You may contact the City Clerk/Agency Secretary for specific time and dates. This procedure is in compliance with the California Public Meeting Law (Brown Act) G.C. 54950.5. Please limit your presentation to three (3) minutes.

PUBLIC COMMENTS ON ITEMS APPEARING ON AGENDA

The Morgan Hill City Council/Redevelopment Agency welcomes comments from all individuals on any agenda item being considered by the City Council/Redevelopment Agency. Please complete a Speaker Card and present it to the City Clerk/Agency Secretary. This will assist the Council/Agency Members in hearing your comments at the appropriate time. Speaker cards are available on the table in the foyer of the Council Chambers. In accordance with Government Code 54953.3 it is not a requirement to fill out a speaker card in order to speak to the Council/Agency. However, it is very helpful to the Council/Agency if speaker cards are submitted. As your name is called by the Mayor/Chairman, please walk to the podium and speak directly into the microphone. Clearly state your name and address and then proceed to comment on the agenda item. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the City Council/Agency Commission are limited to three minutes. We appreciate your cooperation.

NOTICE

AMERICANS WITH DISABILITIES ACT (ADA)

The City of Morgan Hill complies with the Americans with Disability Act (ADA) and will provide reasonable accommodation to individuals with disabilities to ensure equal access to all facilities, programs and services offered by the City. If you need special assistance to access the meeting room or to otherwise participate at this meeting, including auxiliary aids or services, please contact the Office of the City Clerk/Agency Secretary at City Hall, 17555 Peak Avenue or call 779-7259 or (Hearing Impaired only - TDD 776-7381) to request accommodation. Please make your request at least 48 hours prior to the meeting to enable staff to implement reasonable arrangements to assure accessibility to the meeting.

If assistance is needed regarding any item appearing on the City Council/Agency Commission agenda, please contact the Office of the City Clerk/Agency Secretary at City Hall, 17555 Peak Avenue or call 779-7259 or (Hearing Impaired only - TDD 776-7381) to request accommodation.

NOTICE

Notice is given, pursuant to Government Code Section 65009, that any challenge of Public Hearing Agenda items in court, may be limited to raising only those issues raised by you or on your behalf at the Public Hearing described in this notice, or in written correspondence delivered to the City Council/Agency Commission at, or prior to the Public Hearing on these matters.

NOTICE

The time within which judicial review must be sought of the action by the City Council/Agency Commission which acted upon any matter appearing on this agenda is governed by the provisions of Section 1094.6 of the California Code of Civil Procedure.

**CITY OF MORGAN HILL
REGULAR CITY COUNCIL AND
REGULAR REDEVELOPMENT AGENCY MEETING
MINUTES – MARCH 21, 2007**

CALL TO ORDER

Mayor/Chairman Tate called the meeting to order at 7:00 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members Carr, Grzan, Lee, Sellers, and Mayor/Chairman Tate

DECLARATION OF POSTING OF AGENDA

City Clerk/Agency Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

PROCLAMATIONS

RECOGNITIONS

CITY COUNCIL REPORT

Council Member Sellers addressed the following:

- Serves on the Valley Transportation Authority (VTA) Board. In addition to attending the board meetings, he has been involved in the Transit Planning and Operations Committee. He stated that this Committee met this afternoon with the South County Advisory Policy Board. He indicated that a lot of interesting activities are taking place in terms of long term planning for the region. As of this afternoon, VTA board members received a Comprehensive Operations Analysis, and that the significance of this document is that they are looking at the potential of adding/deleting some routes and services. He said that the Board/Committee is asking that VTA staff visit each city and provide a presentation sometime this summer. He announced that he would be attending a workshop where VTA will be unveiling a management audit that was conducted by an independent organization. He said that the significance of this audit to Morgan Hill is that it will be looking at the current VTA Board structure, and the way it conducts its business. He noted that the Council has discussed, throughout the years, the fact that the City rotates/shares a board position with the Cities of Gilroy and Milpitas. He said that it is difficult for the City of Milpitas to represent the interests of South County and vice versa. It is his hope that there will be opportunities for restructuring the VTA Board composition when the analysis is unveiled on Friday.

- He had an opportunity to meet with members of the public as well as property/business owners; specifically in the downtown area regarding public safety. He indicated that the Police Officers Association offered to meet with these groups and enter into a dialogue with them regarding public safety.
- He serves on the Downtown Association Board, and indicated that he attended their retreat. He stated that some of the items discussed at the retreat will be addressed this evening in terms of the Downtown Plan. The Downtown Association made some recommendations in terms of how they will operate, and that the Council/Redevelopment Agency will hear about their recommendations in the next couple of months.
- He chairs the Economic & Community Development Committee. He indicated that the Committee focused on the Granada Theater at a workshop held a few weeks ago. It is anticipated that an agreement will be coming forward by July that will hopefully address the long term needs of the community as well as providing an opportunity for the community to see the Granada Theater reopen in some form.
- On Thursday, he attended a breakfast meeting of the Board of Directors of the Silicon Valley Leadership Group. The significance of this meeting was the fact that this organization is focusing on renewable energy opportunities. He said that there has been discussion, at the local level, about how renewable energy opportunities can be instituted within the community. He knows that the Planning Commission is interested in addressing this topic as part of new development. He learned about some of the new initiatives taking place, and will be bringing these initiatives to the Council at a future date.
- He attended the Santa Clara County Cities Association dinner last Thursday with the City Manager. They heard a couple of presentations about organizational opportunities. He said that there is a significant threat to cities throughout the country in that senior managers and senior personnel are disproportionate at the front end of the baby boom generation. It is anticipated that there will be a large number of key management positions retiring over the next few years. There was discussion about opportunities for attracting, retaining and promoting within the organization in ways to stave off the shortfalls.
- He attended the Local Government Day session hosted by Leadership Morgan Hill at the invitation of Mayor Tate. He indicated that he formally served on the board of this organization, and felt that this organization continues to do great work. He said that it was great to hear back from current and future leaders in the community.
- Last week, he had the opportunity to draw names for the new Royal Court Apartment project located north of Wright Avenue. He said that there were individuals interested in apartment units. A drawing was held to help determine the order for which individuals might be considered for these apartments. He indicated that this is a 50-unit apartment complex, and that there were well over 100 individuals and families interested in these units. This brought to attention the continuing/significant need for affordable housing in the community. He felt that there needs to

be an ongoing effort to continue to push for additional affordable housing so that everyone in the community has an affordable/appropriate place to reside.

CITY COUNCIL COMMITTEE REPORTS

Mayor Pro Tempore Carr indicated that the Public Safety & Community Services Committee met this afternoon and concentrated its efforts on putting together a workplan. He said that a draft workplan has been put together with the help of Assistant to the City Manager Stott. It is the Committee's hope that all Council Committees and citizen commissions will use the Committee's workplan as a model as they put together their workplans. Doing so would facilitate a standard in which the Council reviews the workplans. The Committee has also been working to meet the goal the Council established on public safety. He said that the Committee will return to Council at the first meeting in May 2007 to review public safety service levels, and perhaps, some outcome recommendations. He stated that extra Committee meetings will be held in April in order to put together a recommendation for Council consideration in May.

CITY MANAGER REPORT

City Manager Tewes reported on two items:

- He advised the Council and the community that there are a couple of items on the consent calendar relating to the library. He noted that staff has provided the Council with the construction progress which remains impressive. He indicated that the project is on track to turn over the library building to the County library system on June 8, 2007. He said that it will take the County library system a month or so to establish their systems, and to shelve/catalogue the books and resources. He indicated that library staff will attend the April 4 meeting to provide the Council with a report so that the Council and community members will be informed of the transition plans. Also, on the consent calendar is the award of a contract for the library furniture and fixtures. He was pleased to announce that the library project is on time and within budget, and is doing very well.
- He informed the Council that during the past couple of days, City staff has received inquiries from individuals who reside at the north end of the City, in the Madrone residential area. Residents have made inquiries with the planning and building staff regarding the rumors they heard about the possible location of State licensed group homes that may be coming into their neighborhood. He said that City staff was able to advise the residents that State law does not allow local municipalities to regulate state licensed group homes for six or fewer persons. Instead, local municipalities must treat these group homes as any other single family residence. However, the group homes do need to obtain state licenses. He informed the Council that the City Clerk received a call this afternoon from an individual with the State Department of Disability Services who indicated a willingness to meet with neighbors to help explain the types of services available and the types of clients that will be served in the group homes. Further, to address the regulations that the State can impose on group homes. As the City collects names of residents, staff will try to connect the State regulators with the concerned neighborhood residents.

CITY ATTORNEY REPORT

City Attorney Kern stated that she did not have a report to present this evening.

OTHER REPORTS

PUBLIC COMMENT

Mayor/Chairman Tate opened the floor to public comment for items not appearing on this evening's agenda.

Dan Ehrler, Executive Director, Chamber of Commerce, spoke on behalf of the South Santa Clara Valley Tourism partnership. He indicated that he and Jane Howard, Executive Director of the Gilroy's Visitors Bureau, represent the Economic Development Partnership in this regional tourism program. He was in attendance this evening to present tickets to the Council for the Bay Area Travel Show to be held this weekend from 10 a.m. to 4 p.m. at the Santa Clara County Convention Center. He informed the Council that this will be the second time the South Santa Clara Valley Tourism partnership will be at a major trade show. He said that the prior trade show was held in September 2006 in San Francisco. He stated that at least 2,000 gift bags will be distributed to the expected 6,000 individuals who will attend the travel show. He indicated that among the gifts is a calendar that represents the regional tourism areas that includes photographs of places in Morgan Hill, Gilroy, and San Martin. He invited Council members to attend the travel show, and to get a taste of what one of these shows are like. He stated that the Chamber of Commerce is thrilled that this regional partnership is taking part in the travel show as it believes this is another huge step in the promotion, on a regional basis, of the special community of Morgan Hill as well as the region of South Santa Clara Valley.

Stephanie Reinhardt, a 10-year Taylor Avenue resident, expressed concern over the placement of what is being referred to as "special residential facilities" in her neighborhood. She stated that she is concerned and angry that none of the residents within the neighborhood were notified about the builders/city plans to turn a Taylor Avenue and a Ginger Way residential home into residential care facilities. Had the City and/or the builder taken time to advise residents of the plans, and addressed fears; she would not be in attendance this evening. It was her fear that her neighborhood might change; and that the use may not necessarily be in the best interest of the residents that make up the neighborhood. She expressed concern for the safety of the small children who reside in the neighborhood, in close proximity to the houses which have been targeted to become residential care facilities for adults who have "special needs." She understands the need for residential facilities, but does not believe they are a good fit for her neighborhood. As a police officer for the City of San Jose, and currently for the District Attorney's office, she has had the opportunity to visit many special residential facilities. She felt that the good facilities are few and far between, and that the problems are many. She stated that these facilities have calls for police services, and felt that there is a lack of supervision within the residences. She is aware that both the state and federal government have recently received a large amount of funds; giving a large amount of money to mental health. She expressed concern that the tenants moving into these properties will have physical impairments as well as mental ailments. She inquired as to what type of facilities these will be and what specific medical conditions the tenants have. Who will monitor and supervise the

tenants? Will there be a 24-hour live in caretaker? Will medication be dispensed and will it be dispensed on site? What position will the City take when these facilities come to the City and request that more tenants be allowed to move in, down the road; converting garages to bedroom space. Will the area be rezoned to single family residential to another zoning? She informed the Council that she contacted the planning department who informed her that staff is on top of the proposed care facilities. Yet, she noted that there was construction taking place at the facilities without proper permits. She did not know who was monitoring the activities taking place at the facilities. She further expressed concern with the increase in services that might be seen (e.g., police and code enforcement, etc.). She noted that it has been indicated that the City's police department is understaffed. It was her hope to have faith and confidence in the Council that it will take care of the residents in the Taylor Avenue neighborhood.

Mayor Tate noted that City Manager Tewes indicated that there was an individual with the State Department of Disability Services that could address Ms. Reinhardt's concerns.

City Manager Tewes indicated that he will ask the City Clerk's office to provide the State representative with the names of the residents who have concerns with the use.

Mayor Tate noted the City has no jurisdiction or control over the situation, and that the City cannot answer Ms. Reinhardt's questions. However, the City will make sure that the questions/concerns are addressed.

Bob Reinhardt indicated that it has been in the news that the State has wanted to sell the Agnews facility and develop the property. He said that everyone knows that the further south you go from the bay area, the cheaper housing is. It was his belief that the Cities of Morgan Hill, Gilroy and Hollister can expect a big influx for the purchase of homes to be used for group homes. He felt it imperative for the City Attorney to study this matter, and develop a strategy on how to deal with this issue in case problems arise in the future. He said that a few years back, TBI developed the Madrone Parkway. He said that the neighborhood got involved in the project as it was proposed to take Taylor Avenue straight through; connecting it with Madrone Parkway. He said that the neighborhood got together and stopped this from happening. The residents requested that a soundwall be installed along the northern parameter of the property; noting that TBI did not want to spend monies on this expense. TBI installed a chain link fence and large pine trees as an alternative; assuring the residents that they would be maintained. He noted that there are large pine trees lying on their sides as well as dead/missing pine trees. He did not believe big businesses in this town are held accountable. He felt that City staff needs to get on top of the matter as residents are looking at dead pine trees, and trees that have fallen over when they were assured that this would not take place. Another item that came out of this development was the installation of a signal light at Peebles Avenue and Monterey Road in order to address traffic issues. He indicated that the installation of the signal lights was great as it allowed residents to come and go in a safe manner. However, truck parking along Monterey Road, between Peebles and Tilton Avenues, has become horrendous. He noted that there is no parking north of Peebles Avenue, on the west side of the road in a 45 mph zone. However, parking is allowed up the street in a 50 mph zone. He did not believe it is safe for individuals to park and walk across a four-lane highway that has a speed limit of 50 mph with individuals regularly traveling 55-60 mph. He requested that City staff look into these issues.

Susan Cagle, San Andres Regional Center, informed the Council that they are a private non profit corporation who contracts with the State for developmentally disabled services. She stated that she is willing to meet with the neighborhood community in order to explain and/or answer any of their questions regarding what will be developed in terms of homes for the handicapped. She said that there is a Bay Area housing corporation looking for housing; indicating that the Agnews Development Center is closing, and that three regional centers are involved in the closure plan. They are looking for properties to relocate the individuals residing at the Agnews Development Center. She said that there are four pieces of legislature that have been passed by the State of California to authorize the activities proposed. She indicated that two properties in Morgan Hill are being renovated at this time. One will be a home for elderly individuals, and the other will have five individuals who have specialized health care needs. These individuals need physical care/assistance, and will have nursing services at the homes. She was not aware of construction taking place without benefit of permit.

Chris McCann, Executive Director for the Bay Area Housing Corporation, informed the Council that they will be the non profit agency who will be owning the homes in perpetuity for individuals with developmental disabilities. She clarified that this is not a group home for individuals with mental illnesses. These will be homes for 3-5 individuals. She welcomed the opportunity to sit down and talk with area residents. She informed the Council that she has a daughter with a developmental disability who resides independently in the community. It was her belief that most of the fear in the community is associated with the fact that they do not know who the individuals are. She assured the City/residents that individuals coming into the neighborhood/community will be well supervised. She informed the Council that there are 240 residents currently remaining at the Agnews facility, and that these individuals will be housed throughout nine counties in the bay area. She indicated that this is a model the State of California is looking at as being a premier model for housing individuals with dignity and care.

No further comments were offered.

City Council and Redevelopment Agency Action

ADOPTION OF AGENDA

Action: *On a motion by Council/Agency Member Sellers and seconded by Council/Agency Member Lee, the City Council/Redevelopment Agency Board unanimously (5-0) **adopted** the Agenda as printed.*

City Council Action

CONSENT CALENDAR:

Action: *On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Carr, the City Council unanimously (5-0) **Approved** Consent Calendar Items 1-10, as follows.*

1. **2006-2007 PERFORMANCE MEASURE MID-YEAR UPDATE**
Actions: **Accepted Report.**

2. **2006-2007 WORKPLAN MID-YEAR UPDATE**
Actions: Accepted Report.
3. **NEW LIBRARY PROJECT – FEBRUARY CONSTRUCTION PROGRESS REPORT**
Actions: Information only
4. **CONTRACT WITH DAVID J. POWERS & ASSOCIATES FOR ENVIRONMENTAL CONSULTING SERVICES**
Actions: Authorized the City Manager to Execute Agreement, Upon Review and Acceptance by the City Attorney.
5. **AMENDMENT OF AGREEMENTS WITH HARRIS & ASSOCIATES AND NAFFA INTERNATIONAL, INC. FOR BUILDING DIVISION PLAN CHECK AND RELATED SERVICES**
Actions: 1) Authorized the City Manager, Subject to Review and Acceptance of the Agreement by the City Attorney, to Execute the Third Amendment to the Agreement with Harris & Associates to Increase the Compensation Allowance by \$20,000; and 2) Authorized the City Manager, Subject to Review and Acceptance of the Agreement by the City Attorney, to Execute the First Amendment to the Agreement with NAFFA International, Inc to Increase the Compensation Allowance by \$50,000.
6. **AMENDED FINAL MAP APPROVAL FOR MADRONE PLAZA PHASE 1 (TRACT 9819)**
Actions: 1) Approved the Amended Final Map, Subdivision Agreement, and Improvement Plans; 2) Authorized the City Manager to Sign a Subdivision Improvement Agreement on Behalf of the City; Subject to Review and Approval by the City Attorney; 3) Authorized the City Clerk to Sign the Amended Final Map Authorizing Abandonment of Unused Easements, and 4) Authorized the Recordation of the Amended Final Map and the Subdivision Improvement Agreement Following Recordation of the Development Improvement Agreement.
7. **FINAL MAP APPROVAL VIENTO PHASE II (TRACT 9804)**
Actions: 1) Approved the Final Map; and 2) Authorized the Recordation of the Map Following Recordation of the Development Improvement Agreement.
8. **FISCAL YEAR 2007-2008 OPERATING AND CAPITAL BUDGET SCHEDULE**
Actions: Approved the Recommended Fiscal Year 2007-2008 Budget Schedule.
9. **FINAL MAP APPROVAL JASPER PARK PHASE III (TRACT 9842)**
Actions: 1) Approved the Final Map; and 2) Authorized the Recordation of the Map Following Recordation of the Development Improvement Agreement.
10. **AMEND PROFESSIONAL SERVICES CONTRACT FOR THE WEST LITTLE LLAGAS CREEK TRAIL PROJECT**

Actions: 1) **Approved** Additional Scope of Work for Questa Engineering Corporation in the Amount of \$15,000 and **Authorized** the City Manager to Execute an Amendment to the Existing Professional Services Agreement; Subject to Review and Approval by the City Attorney; and 2) **Approved** Contract Time Extension.

Redevelopment Agency Action

CONSENT CALENDAR:

Agency Member Lee and Chairman Tate requested that item 11 be removed from the Consent Calendar.

Action: On a motion by Agency Member Sellers and seconded by Vice-chair Carr, the Redevelopment Agency Board unanimously (5-0) **Approved** Consent Calendar Items 12-14, as follows:

12. **APPROVAL OF \$426,334.25 FOR INTERIOR FURNITURE FOR THE NEW MORGAN HILL LIBRARY**

Actions: **Authorized** the Executive Director to Execute a Contract with Peninsula Business Interiors (PBI) to Provide and Install the Selected Interior Furniture for the New Morgan Hill Library in an Amount not to Exceed \$386,334.25 with a Contingency of \$40,000; Subject to Review and Approval by Agency Counsel.

13. **GALLERY MORGAN HILL**

Actions: **Approved** the Recommendation from the Community and Economic Development Committee to Authorize the Executive Director to Negotiate and Execute a Grant Agreement to Provide \$4,800 in One-Time Financial Assistance to Gallery Morgan Hill.

14. **POLICY ON BUSINESSES IMPACTED BY DOWNTOWN STREET CONSTRUCTION**

Actions: **Adopted** the Community & Economic Development Committee's Recommended Policy Pertaining to Businesses Impacted by Downtown Street Construction.

11. **AGREEMENT(S) WITH RBF CONSULTING AND DKS ASSOCIATES TO PREPARE A DOWNTOWN PLAN UPDATE AND PARKING MANAGEMENT PLAN**

Agency Member Lee inquired as to the competitive bid process; specifically, how many bids the City received.

Director of Community Development Molloy Previsich informed the Agency Board that the Request for Proposal (RFP) for the update to the Downtown Plan was sent to four land use firms and eight commercial leasing specialists. She stated that staff tried to put together a team to assist with the update to the Downtown Plan. She said that it was staff's belief that the City would receive bid responses from a couple of firms, but that only one firm responded. She indicated that staff met with the firm, and that staff feels good about the scope of services proposed by the firm who is well qualified. She clarified that this firm was not the firm who prepared the original Downtown Plan.

Vice-chair Carr inquired as to how the Council's goal of breaking ground on Third Street in a coordinated effort by 2008 works with the schedule for the Downtown Plan update. He noted that there is an amount of work that will be conducted after 2008. It was his hope that the two projects do not get in the way of the Council's goal and the schedule for the Downtown Plan update.

Ms. Molloy Previsich stated that the objective for this effort is to update the Downtown Plan; making it a strategic plan and working with the property owners. She informed the Agency Board that a draft Downtown Plan will be made available in September; identifying the anticipated projects, and providing a list of public improvements, density levels, etc. It is staff's hope to work with property owners and define these items by September. What will take place after this period is the preparation of a master CEQA document so that the Downtown Plan, projects, and public improvements can be cleared by this document. The City would enter into public hearings for the Downtown Plan update, and the CEQA documents in spring 2008. However, the schedule provides for completing all work by the beginning of May. If there are projects that want to come in, they can do so within the next few months, and be included within the CEQA document in order to have all the discretionary permits and CEQA clearances by spring 2008.

Vice-chair Carr said that it was his hope that the groundbreaking for Third Street would begin in the first half of 2008 rather than the latter half of 2008. He noted that the City will be conducting significant work on Third Street in order to create a promenade that will hopefully spur private development on both sides of Third Street. The Council would like to coordinate the City's efforts in order to avoid tearing up the streets more than once. It was his hope, in thinking about the Downtown Plan update, that the preliminary plan to be presented in September will include projects proposed along Third Street so that developers do not feel they have to wait for this process in order to move their projects forward.

Ms. Molloy Previsich said that it was her belief that the public improvements can break ground by spring 2008. She noted that the City has an earlier adopted negative declaration on the existing Downtown Plan that includes a Third Street and Depot Avenue project. She informed the Council that staff proposes to conduct outreach to engage property owners. Doing so will allow property owners to work with the City to define projects over the next five months or so. She stated that specific meetings will be held with key property owners/stakeholders in order to help them define their projects and to make sure that the Downtown Plan update is consistent with their projects and vice versa. It is staff's hope that a comprehensive Downtown Plan update will provide some level of reassurance to the property owners that the regulations will not get in the way, CEQA will be cleared, and that the parking strategy will be worked out.

Vice-chair Carr said that he keeps hearing from property owners that they want a clear understanding that the City's regulations will not be so burdensome that they cannot complete their projects. It was his hope that staff and the consultants will be encouraging property owners along the way so that they do not feel they have to sit back and wait for the project to conclude in order to see if it will really take place.

Ms. Molloy Previsich stated that staff will be conducting meetings with key property owners in order to get their ideas. Staff will be encouraging property owners to define projects so that they can be addressed in the Downtown Plan update and in the CEQA document as well.

Chairman Tate felt that this would be a continuous process, and did not believe the City will be holding up any projects. He said that the Redevelopment Agency will be talking about spending monies in the downtown later this evening. He did not believe the Agency Board will make everything contingent upon the update to the Downtown Plan as the City will move forward with items that need to move forward at this time.

Ms. Molloy Previsich said that there are projects that can take place at this time as they have been cleared through the existing CEQA document. She stated that the new EIR will address increased density. It is known that a number of property owners would like to increase density, and have different development standards in order to propose a project that is feasible. She indicated that these are the projects that need a CEQA update; especially if they are not consistent with the existing regulations.

Chairman Tate clarified that the Downtown Plan update is not adding another year of delay in doing anything in the downtown as the City will be moving ahead with its projects. He stated that he was encouraged to hear staff state that the Council will have a preliminary draft by September because the schedule in the packet indicates the draft Downtown Plan is to be completed in October. He encouraged staff to improve on this timeline, but felt that staff was already planning to improve/move up the completion of the draft plan.

Agency Member Sellers said that the Community & Economic Development Committee has been talking about this item as it will be undertaking this effort. He and Council/Agency Member Lee and he have had similar requests and conversations. He stated that the Committee will try to encourage expediting individual elements of the Downtown Plan and not hold up any intermediary steps for the approval of the entire Plan. It was the Committee's hope the City will have forward progress on the parking and land use so that the property owners are confident in moving forward, and not have to wait another year to develop their properties. He stated that the Committee will take the Redevelopment Agency's comments to heart as they move forward.

Actions: *On a motion by Agency Member Lee and seconded by Agency Member Sellers, the Redevelopment Agency Board unanimously (5-0): 1) **Authorized** the Executive Director to Negotiate and Execute an Agreement Between the Redevelopment Agency and RBF Consulting in the Amount not to Exceed \$102,040 for an Update to the Downtown Plan, Subject to Review and Approval by the City Attorney/Agency Counsel; and 2) **Authorized** the Executive Director of the Redevelopment Agency to Amend an Existing Contract Between DKS Associates and the City of Morgan Hill Redevelopment Agency in an Amount not to Exceed \$25,610, Subject to Review and Approval by the City Attorney/Agency Counsel.*

City Council and Redevelopment Agency Action

CONSENT CALENDAR:

Action: *On a motion by Council/Agency Member Sellers and seconded by Mayor Pro Tempore/Vice-chairman Carr, the Council/Agency Board unanimously (5-0) Approved Consent Calendar Items 15-17, as follows:*

15. **REGULAR CITY COUNCIL AND REGULAR REDEVELOPMENT AGENCY MEETING MINUTES OF FEBRUARY 28, 2007**

Action: *Approved the Minutes as Submitted.*

16. **JOINT REGULAR CITY COUNCIL AND REGULAR REDEVELOPMENT AGENCY MEETING MINUTES OF MARCH 7, 2007**

Action: *Approved the Minutes as Submitted.*

17. **SPECIAL CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES OF MARCH 7, 2007**

Action: *Approved the Minutes as Submitted.*

City Council Action

PUBLIC HEARINGS:

18. **HEARING FOR EXEMPTION TO UNDERGROUNDING UTILITIES – 18757 OLD MONTEREY ROAD**

Public Works Director Ashcraft presented the staff report; indicating that staff supports the request to pay in lieu undergrounding fees totaling \$7,336 instead of the normal requirements to underground the utilities.

Council Member Sellers noted that the staff report indicates an in lieu fee in the amount of \$7,336 as noted by Mr. Ashcraft. However, the letter from the applicant indicates an amount of \$7,338.

Mr. Ashcraft clarified that staff is not asking the Council to approve an amount, but to grant an exemption. He stated that the fee is set by resolution. He indicated that the fee might go up by the time the property owner pays the in lieu fees. He recommended the Council not focus on the fee, but to consider the request for an exemption.

Mayor Tate opened the public hearing. No comments being offered, the public hearing was closed.

Action: *On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Carr, the City Council unanimously (5-0) Granted Exemption to the Requirement to Underground Utilities with Payment of in Lieu Fees for the Proposed Development at 18757 Old Monterey Road.*

19. **COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) ANNUAL ALLOCATION (FISCAL YEAR 2007-2008) – Resolution No. 6086**

Business Assistance and Housing Services Director Toy presented the staff report on the Community Development Block Grant (CDBG) funding. He stated that the City received 13 proposals for funding: 12 for public service funds, and one application for non public service funds from the Public Works Department. He stated that staff recommends the City continue to augment CDBG funds with 20% housing set aside funds, housing mitigation funds, and the Senior Housing Trust fund. He informed the Council that staff is recommending the Council appropriate the same level of funding as was awarded this current fiscal year with the exception that additional CDBG funds to be allocated on a one time basis to the CDBG applicants receiving grants last year. As an alternative, the Council could consider using the rollover funds to fund United Ways' 2-1-1 social service referral lines. He said that staff does not know whether HUD would have some concerns about the eligibility of individuals/agencies using these fund, but that the City would not know until after the Council allocated this funding activity. He informed the Council that there is a request for \$85,000 from the non service funds. Staff is recommending the Council allocate the full amount available of \$89,000 to be used for the soccer fields at Galvin Park. He identified the projects recommended to receive CDBG funding.

Mayor Pro Tempore Carr inquired how staff determined the allocation of the one time funds.

Mr. Toy responded that there are four entities that received CDGB funds, and that staff divided the one time funds on a proportional basis.

Council Member Lee requested that staff provide an accounting of how the \$15,000 administrative funds are used.

Mr. Toy informed the Council that the Finance Department breaks down the administrative funds; indicating that the bulk of the funds go toward paying a portion of staff's time to administer the program. He indicated that he would provide the Council with a break down of these fees.

Council Member Sellers indicated that he read the letter from Mr. Walker with United Way. The letter did not indicate what United Way anticipates the City's funding would be. He inquired whether the \$5,500 is a drop in the bucket, or whether this amount is more than they need for a 2-1-1 call center.

City Manager Tewes informed the Council that last year, United Way requested one time funds. United Way came up with a formula that would have required 50 cents per capital to which the Council stated that this amount was not possible. Therefore, Mr. Walker agreed to accept \$5,000 last fiscal year. He noted that United Way is also asking if the Council would be willing to make a multi year commitment to which the Council requested they come back this year and advise how well it did, what progress was made, and how Morgan Hill residents were served. He informed the Council that Mr. Walker plans to attend the budget hearing on June 6 to make a presentation. He is aware that Santa Clara County is prepared to make a major contribution to the system because they view it as an opportunity to shift costs from other referral lines. He did not know what the ultimate need is, but that Mr. Walker is asking each city in the County to participate. He felt that it would be the City's judgment as to how much the Council believes the community should invest in the call system.

Mayor Tate opened the public hearing.

Martin Eichner, Director of the mediation and counseling programs for Project Sentinel, thanked staff for its support and recommendation for continued funding for this program. He stated that Project Sentinel provides counseling to tenants and landlords on every issue within the landlord/tenant relationship, and also offers conciliation and mediation in order to resolve disputes between tenants/landlords. He announced that Project Sentinel exceeding its contract goals last year, as well as this year, and that the City receives a number of free services from this agency because it brings in substantial outside funding. He indicated that Project Sentinel recently used its HUD funding to help City staff organize and update the first time homebuyer program for City employees, and presented an orientation meeting with City staff for this program.

Ray Bramson, Development Officer for the Emergency Housing Consortium, stated that they serve 80 unduplicated residents each year; providing over 8,500 shelter days that includes supportive services, case management, life skill workshops, housing and employment workshops. He thanked the Council and staff for the recommended funding.

George Nale, Live Oak Adult Day Services, stated that although located in Gilroy, this agency provides services to the Morgan Hill and San Martin senior population; the chronically frail, disabled and dependent residents. He said that their services allow families to keep their senior relatives at home and not in nursing homes. The agency operates on a sliding scale fee, based on the ability to pay; noting that 90% of the clients are of low income. The agency provides meals, medication, entertainment and an appropriate exercise program.

Kevin Heuer, representing Rebuilding Together Silicon Valley, stated that this is an affordable housing agency with the mission of providing free home repairs to low income, elderly and disabled residents through volunteers and donated/discounted materials. In Fiscal Year 2006-07, the agency received a \$2,500 grant from the City's RDA funds. He stated that there were a number of applicants from the City, and that they selected one project to work on that needed numerous city repairs that the City grant was not able to cover. This year, there were nine applicants and that with the funding available; they looked at trying to accomplish three projects. All three projects will assist elderly disabled mobile home owners. He invited the Council to attend their rebuilding days to be held on the last two Saturdays in April, and to meet the homeowners.

Amy Carlson, Catholic Charities Daybreak Respite Program, indicated that she is the program manager for Day Break Three. She thanked staff for its recommendation and the Council's consideration for this program as the funding will assist in helping a hundred family caregivers as well as dependent elders in Morgan Hill.

Yolanda Uugo informed the Council that she is with the Housing Team, Catholic Charities. She stated that they are proud of the results their clients are having at Depot Commons.

Libby Tait indicated that she is a state certified long term care Ombudsman, and thanked the City for all its support for the Ombudsman Program. She informed the Council that Ombudsmen check in on the elderly who live in nursing/residential care homes. She felt that everyone deserves to be treated with respect and dignity.

Martha Bell, representing Silicon Valley Independent Living Center, stated her sincere appreciation for the City's continued support for seniors and the disabled her agency assists. She indicated that the agency assists very low income seniors and the disabled to find affordable, accessible housing. She stated that the Center is located in Jasmine Square.

Lisa DeSilva, Community Solutions, thanked the City for its continued support and partnership over the years based on the shared commitment to members in the community in need of support and services that are not necessarily visible (e.g., battered women and their children, low income youth and their families).

Crystal Ulrich, Second Harvest Food Bank, thanked the Council for its past support and for considering Second Harvest Food Bank's funding request in order to support Operation Brown Bag in Morgan Hill. She informed the Council that the Second Harvest Food Bank provides free groceries on a weekly basis to individuals with an average income of \$924/month.

No further comments being offered, the public hearing was closed.

Council Member Sellers noted that staff indicated that it distributed the CDBG funding at a higher level on a one time basis. He inquired whether staff had any thoughts on what the Council could do with the \$5,000 rollover funds.

Mr. Toy clarified that staff is recommending the allocation of the one time \$5,000 rollover funds; noting that this funding is included in the funding allocation.

Council Member Sellers said that this is one of the best and worst actions the Council takes each year: the best is to recognize all the hard work that takes place in the community from all the incredible non profit agencies. It is also the worst time because the Council realizes the need exists, and that it is an acute need. He stated that the City can only do so much to address the acute need. He was pleased the City would be able to assist, in a small part, with the needs. He supports granting the allocations at the level recommended by staff.

Mayor Tate indicated that the Council will receive a report on the 2-1-1 call center in June to hear what has done for Morgan Hill. However, he noted that the 2-1-1 call center just started at the beginning of the year, and did not believe the Council would hear a lot about what the 2-1-1 call center has done. He felt the City would need to find funds for this program from another funding source.

Council Member Sellers said that the decision the County has made may alter what they are requesting from the City; therefore, he would be anxious to hear what the County is anticipating.

Action: *On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Carr, the City Council unanimously (5-0): 1) **Adopted** Resolution No. 6086 for Appropriation of Fiscal Year 2007-2008 CDBG Funds; 2) **Appropriated** Carry-Over of Approximately \$6,972 from Fiscal Year 2006-2007; and 3) **Authorized** the City Manager to do Everything Necessary for the Implementation of the CDBG Program; Including Execution of all Required Contracts; Subject to Review and Approval by City Attorney.*

City Council Action

OTHER BUSINESS:

20. SAN PEDRO WELL SUMMER 2007 OPERATING PROCEDURE

Director of Public Works Ashcraft presented the staff report; noting that 4 parts per billion (ppb) of perchlorate is the level the City will either treat or remove wells from service. He stated that the Department of Health Services has still not set a Maximum Contaminant Level (MCL) for perchlorate, and that they are still talking about establishing 6 ppb as the MCL; however, this has not been established. It is being stated that the Department of Health Services may establish the MCL later in 2007. Based on the results seen in September 2006, the Council requested the Utilities & Environment Committee and staff to work together to present a recommendation for the summer operations of the San Pedro well. He stated that the Committee discussed this issue at its last meeting, and that their recommendation is before the Council. He indicated that the San Pedro well has been tested monthly since September, and that the level of perchlorate has not gone above 3 ppb since September 2006. He informed the Council that staff is looking at obtaining a 55% grant from the EPA if the City constructed the well. However, the grant appears to be a very complicated grant approval process going through the Water District. He indicated that the City would be notified in October if it is successful in obtaining the grant. He stated that the Committee is recommending the City revise its current operating procedures for wells, and to establish a new policy such that when a well has a single sample that exceeds 4 ppb within a year, the well will be the last well to come on line. Depending on the time of the year and water demand, staff may recommend other water shortage action plans (e.g., cutting back on irrigation, or asking the community to cut back on water uses in order to meet water demands). The recommendation is to not to proceed with the treatment plan this summer, and to direct staff to proceed with the grant application.

Council Member Grzan indicated that the Utilities & Environment Committee met and held the discussions as indicated by Mr. Ashcraft. He said that there was a situation where the San Pedro well tested 4 ppb, and that it was taken off line. It is being recommended that it will be the last well to be turned on, and that it will be tested weekly at that point in order to make sure that it is a good well/water source for the City. Should the well reach 4 ppb at any time, the Committee will return to the Council to discuss other actions to be taken.

Council Member Sellers noted that the current recommended MCL level is at 6 ppb. If this is the case, why is staff making the recommendation at 4 ppb?

Public Works Director Ashcraft indicated that in an abundance of caution, staff treated the Nordstrom well when it tested at 4 ppb four years ago. He stated that the Nordstrom well has rarely gone over 4 ppb in the last three years, but that City staff continues to treat the well. He said that there was discussion about the possibility of turning off the Nordstrom well last year, but that it was left on because there was only one test over 4 ppb. He said that in an abundance of caution, when the City first started with the perchlorate problem in 2001, the action level at the State was at 4 ppb. Therefore, the City started to treat the Nordstrom well because it was at, or near 4 ppb. Since then, the Public Health Goal came along

and the level was pushed up to 6 ppb. He said that it may be that the MCL may be adopted at 6 ppb. He indicated that the Council has always stated its desire that when reaching an MCL, at whatever level, staff is to return to the Council to talk about the policy.

Mayor Pro Tempore Carr said that the Committee wanted the Council to make the decision whether it would be delivering water if it tested above 4 ppb. Whatever the standard adopted, the City needs to inform the public as to what it plans to do. He said that the recommendation before the Council will provide for an extra step. Should there be a need to bring the San Pedro well on line, the Council will make the decision instead of it becoming an automatic action.

Mayor Tate opened the floor to public comment. No comments were offered.

Council Member Sellers felt the City needs to be consistent. If 6 ppb is adopted by the State, the Council will need to revisit the policy to make sure that it is in conformance with that of the State's MCL so that the City does not establish its own level. He stated that the City relies on the experts to tell it what are the appropriate levels, and felt the City should adhere to the established level.

Mayor Tate agreed that the City needs to review the MCL once it is passed by the State.

Action: *On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Carr, the City Council unanimously (5-0): 1) Approved the Utilities & Environment Committee's Recommendation for an Operating Procedure without Perchlorate Treatment for the San Pedro Well for Summer 2007; and 2) Amended the Council's Current Policy on when to Provide Perchlorate Treatment, to Note if Only a Single Sample Exceeds 4 Parts Per Billion within a Year, the Recommendation Contained in the Staff Report would be Followed.*

City Council and Redevelopment Agency Action

WORKSHOP:

21. DISCUSSION REGARDING DOWNTOWN IMPROVEMENTS

Business Assistance and Housing Services Director Toy facilitated the workshop discussion regarding the downtown infrastructure improvements. He addressed the workshop objectives, the Community & Economic Development Committee recommendations to the Council, the review and discussion about the general improvement categories, requested Council direction on the interim improvements, and identified the recommended next steps. He informed the Council that the Committee recommends lighting and parking have a higher priority over some of the other improvements. He pointed out that the policy regarding the lighting improvements and infrastructure is consistent with the Redevelopment Agency (RDA) adopted policy relating to infrastructure. He indicated that \$20 million would not be sufficient to underground all of the downtown; therefore, it is being recommended that when the Council/Redevelopment Agency budgets for other projects, whatever funds remaining are to be allocated to utility undergrounding. He stated that it is being recommended that the Council/RDA approve a criteria for setting priorities for specific projects.

Council/Agency Member Grzan noted that the RDA was formed on the basis of finding blight in the downtown. He recollected, from reading the report, that it included pictures of specific areas with blighted conditions. He did not see the City directly addressing blighted conditions, but that it is looking at improvements in the general area. He inquired whether the Council/RDA will be addressing the specific blighted conditions found.

City Manager/Executive Director Tewes said that the RDA Plan adopted by the Agency Board was based on the finding of blight, and that the redevelopment agency project and programs must address this. He noted that the RDA project area is larger than just the downtown. He said that the City Manager's budget to be presented in May identifies a series of infrastructure investments for the redevelopment area consistent with the policy previously distributed by Mr. Toy; the basis for the Council/RDA decision. The Council/RDA decided to set aside \$20 million for the downtown. He said that the issues contained on the list address the report that identified blight within the downtown. He stated that it is a goal to eliminate blight, but could not guarantee that the \$20 million would eliminate all blighted conditions.

Council/Agency Member Grzan noted that this is the third phase of RDA funding. He said that it has been stated that the blighted condition is attributed to the lack of recreation facilities within the community. He indicated that new recreation facilities have been build/added, and that the City continues to have blight. It was his belief that the goal is to address the City's blight. He did not see the first or second round of funding alleviating blight. He wants to make sure that this round of funding addresses blight, and that at the end of the period, an evaluation is to be conducted that would identify the amount of blighted conditions removed/remaining.

City Manager/Executive Director Tewes clarified that the purpose of the workshop is for the Agency to establish priorities; given that the City does not have the resources to complete all right-of-way work, and that he could not guarantee that all blighted conditions would be eliminated. He felt it appropriate for the Agency Board to establish priorities in what it would like to accomplish first. Ten years ago, based on community input, the Council/Agency Board determined that it was appropriate to proceed with a series of public facilities first, as they received overwhelming votes at the poll. Now, staff is requesting the Agency Board to establish new priorities. He stated that this is the time for the Council/Agency Board to indicate which of the conditions it wishes to address first.

Council/Agency Member Grzan stated that he would like to move forward with all projects in order to eliminate blight. He did not know if there is an evaluation plan in place that would ensure that the blighted areas identified in the report would be improved.

City Manager/Executive Director Tewes said that the purpose of the RDA Plan, and the analysis that went into it, was to make the point that without investments in improved parking, lighting and infrastructure in the downtown, the City would not be able to attract the private investments necessary to address the blighting conditions.

Council/Agency Member Grzan indicated that there is a chance that all improvements could be installed, and that the City would still have the same conditions.

Mayor/Chairman Tate noted that there are some items that are of priority with others items being equal. However, per the Council's discussion of the Downtown Plan earlier this evening, it was noted that some items were dependent on completing an update to the Downtown Plan, while others were not. He would like to know which items can move forward immediately. He said that the gateway features may not be the highest priority. If there is funding, and they can be completed at this time, he recommended getting started on their installation.

Mr. Toy identified the list of projects and the proposed next steps for the core downtown.

Mayor/Chairman Tate opened the floor to public comment.

Theresa Keirnan indicated that a letter was forwarded to the Council expressing the Downtown Association's recommendation on how the City might move forward with the programs and the actions to be taken in the downtown area. She appreciated that the Committee is looking at lighting and parking in the downtown as these items are needed to address safety and parking. It is understood that lighting is not an inexpensive undertaking, and that the Downtown Association is willing to work with the City to address this issue.

Mike Davenport informed the Council that he has been working with a group of citizens and others on the overall Downtown Plan as it relates to looking at increased density and parking. He did not believe it to be appropriate to make a parking decision this evening if it is tied to increased density. If the City will be making a parking decision this evening, or in the near future, it would be important to know what the Council's direction will be; indicating the wants/needs for density increases. He addressed the gateway banner for both the south ingress and the north egress to the downtown. It was his hope that the Council/Agency Board would approve the installation of banners, and implement an easy process that would not introduce additional bureaucracies. He offered to volunteer his talents to serve on a committee/commission that would be put together by the Council that would draft an ordinance and develop the process/procedure that would make this project come about in the near future. He felt that this would be a low cost item, and would be great for Morgan Hill.

Mr. Toy indicated that the City has an approved Downtown Plan. He clarified that the City would be conducting an update to the Downtown Plan. He said that the update would be specific, and would take a look at the economics, density, parking, etc. He said that the update would provide the Council/Agency Board a better handle on what the City needs to install in the downtown to accomplish the goal of making the downtown a more vibrant pedestrian friendly location. He informed the Council/Agency Board that the administrative draft will be completed in September. This evening, the Council/Agency Board is being asked to approve the general categories; not the specific projects.

Mayor/Chair Tate recommended the Council/Agency Board give staff direction on those items that can move forward at this time.

Council/Agency Member Grzan said that he has heard that the downtown median is larger than what it needs to be. Should the median be narrowed, would it allow for the expansion of the sidewalk area?

Council/Agency Member Sellers said that this is an issue that would be addressed in the Downtown Plan update. He said that there has been discussion about altering the parking opportunities along Monterey Road; adding more sidewalk opportunities. He said that the variety of options involve tradeoffs. He said that the update to the Downtown Plan will conduct an assessment of all items. He noted that everyone has identified specific items that will be significant opportunities for the City to move forward. He agreed that the City will be seeing an overlap in terms of how these items come together. He noted that Mr. Davenport addressed density and parking. There has also been discussions about the Granada Theater; noting that the area behind this facility is privately owned and is serving as parking. In the discussion about the Granada Theater, it was pointed out that the parking needs to be enhanced as the City moves forward with the Granada Theater. He requested the Council/Agency Board identify a few items that can move forward immediately, and provide general direction on where improvements are to be made, with the understanding that the City would be receiving significant input on the Downtown Plan. It was his belief that this would be the point where the City will see some of the larger projects take place.

Mayor Pro Tempore/Vice-chair Carr inquired where the Granada Theater fits in with all these improvements. He inquired whether the funding being contemplated to upgrade/remodel the Granada Theater would come from the \$20 million. He noted that the City has set aside monies for the Granada Theater.

Mr. Toy said that the Council allocated some of the Granada Theater funding to other projects. He indicated that staff envisions there will be some monies available within the annual budget. He stated that there is some funding within the \$20 million that could be used for some things. He did not believe a lot of funding was allocated for economic development.

Mayor Pro Tempore/Vice-chair Carr felt that the first priority should be about infrastructure. He stated that the Granada Theater is a high priority to him as he would like to see it come back to life. He did not know if funding for the Granada Theater would come from the \$20 million, or whether it would come from other funding sources. When the Council looked at agenda item 11, Ms. Molloy Previsich indicated that one of the skills of the firm selected was implementation. He noted that the City has had an adopted Downtown Plan in place for many years, and that the City has been trying to figure out a way to implement the Plan. He recommended the Council/Agency Board keep its focus on implementing the Downtown Plan; especially when it comes to the infrastructure items.

Mayor Pro Tempore/Vice-chair Carr agreed that the City should move forward with lighting and parking at this time, and requested that these do not get slowed down based on the update to the Downtown Plan. He felt that the City has a great lighting design with what was done with the Depot Street improvements. As long as the City is coordinating the connection of Depot to Monterey Road and the side streets with lighting, it was his belief the City could start moving forward with some of the items today. He felt that there are also some responsibilities on the part of the private sector as they think about their development in order to coordinate the design of lighting in the downtown.

Mayor Pro Tempore/Vice-chair Carr stated that he would recommend moving up the installation of the sidewalk and median; moving down economic development on the priority list. Regarding the gateway features and signage, he would recommend moving these down except for a sign program as it relates to

directional signs and parking lot signs. He felt that thought needs to be given about signage and in finding a way to invest in signage as construction takes place. He recommended that staff determine real estate prices for properties currently listed; reporting the prices to the Council/Agency Board. He did not see any downsides to looking at key properties and finding out what property owners are thinking. He recommended that thought be given to Main and West Dunne Avenues connecting Monterey Road to the civic center. He noted that there is a lot of investment taking place on the civic center site, including the construction of a new library. It was his belief that this will be the civic center for a long time, and felt that the civic center needs to be better connected to the downtown. He requested the Committee consider his thoughts/recommendations as well.

Mayor/Chair Tate stated that he would like to have the downtown end up with the type of construction that took place on Depot Street. However, he noted that it took six months to complete the undergrounding of the electrical wires and all other improvements on Depot Street. He noted that staff is suggesting the installation of electroliers on poles. Although they are not attractive, they would help address the safety problem on an interim basis. This is what he interpreted as being high priority. He recommended that the City find a quick parking solution that does not cost a lot of money. He noted that the long term parking solution would be dependent upon the parking study that, in turn, is dependent upon the Downtown Plan update. A suggestion would be to pave the lot that will eventually be a park in order to give Ragoots Restaurant additional parking; a good temporary solution. However, he does not know if there are other similar solutions. He noted that Mayor Pro Tempore/Vice-chair Carr recommends moving forward with improvements to the medians and sidewalks. He noted that a large part of these improvements are dependent upon the update to the Downtown Plan as well. However, he felt the Council/Agency Board needs to identify what will be done to the median and sidewalks. He did not know if the Council/Agency Board has an adopted policy on what constitutes a key property. He noted that the Council/Agency Board identified the Granada Theater as a key property. He did not know if the Council/Agency Board needs to develop parameters for what are considered to be key properties the City would be interested in.

Council/Agency Member Sellers said that there are so few properties that become available that it will not be a big issue. However, once the Downtown Plan is implemented, it was his belief the City will need to acquire land to assist with parking. There may be key opportunities to partner and invest in other ways; working with the private sector to help facilitate some key improvements as well as development of the parcels. He felt that there would be opportunities to provide lighting on First and Second Streets, and to some degree Third Street, immediately. He indicated that improvements along Third Street would not be without controversy from individuals who reside in the area who may have concerns. He felt that there may be some things the City may be able to do that residents would be supportive of as safety is a big issue to the residents and businesses.

Council/Agency Member Grzan noted that there are a number of vacant lots along Monterey Road and the downtown area that are not kept clear of debris/weeds. He inquired what will be done about the infill and how do you provide incentives to encourage the right type of development.

Mr. Toy indicated that many of the lots belong to a single property owner who is putting together plans to develop some of the lots. He stated that Third Street has been master planned and identified the type

of development that would be allowed, including development of the Sunsweet property. Regarding upkeep of the property, he stated that staff would speak to the property owner.

Council/Agency Member Grzan felt that it would be great to review a map of the vacant lots that are considered key lots City could pursue. The City could provide incentives that would encourage the development of appropriate uses in the downtown. He felt that there is a cultural element of the downtown that should be maintained. He recommended that the City/staff encourage the type of facilities/development that would bring in the kinds of amenities that would turn the downtown into a destination of choice; especially during the week. He recommended the City look at economic development; encouraging a specific type of business to be developed in the downtown. He would like to see artisans, restaurants, and other types of appropriate businesses that would make the downtown an attractive/active area.

Mayor Pro Tempore/Vice-chair Carr said that this goal and investment are about helping to bring the private sector into the investment. He acknowledged that the City has a Downtown Plan in place that talks about all of the items addressed by Council/Agency Member Grzan. It has been a goal to get a certain mix and the right type of businesses in the downtown that would make it a destination. He felt that it is the City's job to create the right atmosphere for the private sector to come in; leveraging the public resources the City is putting into the downtown in order to provide what is needed to make the downtown a destination place.

Council/Agency Member Lee thanked Mr. Toy and Council/Agency Member Sellers for all of their help in bringing her up to date on all issues. She acknowledged that this is an important part of what is taking place for the City. She appreciates all the input being provided by the Council/Agency Board. She is looking forward to working on this project along with Council/Agency Member Sellers.

Mayor/Chairman Tate opened the floor to public comment.

Dan Ehrler stated his hesitation in coming forward earlier because he was very interested in hearing the Council/Agency Board's discussion in order to get a sense of what it was thinking regarding the various elements. He said that the Chamber of Commerce tries to help individuals that are new to the community as well as business individuals wanting to locate in Morgan Hill. The Chamber of Commerce has information for residents of Morgan Hill about programs and activities taking place. He recommended that directional signage be listed among the top priorities; letting individuals know where the Chamber of Commerce, and/or visitor center information is located in the downtown; bringing individuals to the downtown. He felt that directional signs could be made affordable and funded sooner rather than later. He agreed that lighting and parking is of top priority. He said that the Chamber of Commerce has an interest in economic development, in terms of how it partners with the Downtown Association.

Council/Agency Member Grzan inquired whether the \$20 million funding to be used in the downtown would be increased or lowered.

City Manager/Executive Director Tewes said that during the Council retreat, the Council discussed how to establish this goal. The Council established a funding of \$20 million based on staff's judgment that

this amount was approximately what was needed for the infrastructures and improvements in the downtown, save for the notion of undergrounding every single street. Should the Council/RDA wish to underground the utilities in every single street in the downtown, it would spend many times more than the \$20 million earmarked for the downtown. However, by focusing on utility undergrounding on key streets such as Third Street, where the City has a grant, it is staff's judgment that \$20 million would go a long way toward meeting the public improvements needed in the downtown. He indicated that property owners urged the Council/RDA not to adopt eminent domain as part of the Plan, and urged the Council to spend \$40 million in the downtown.

Michael Sue Brown-Korbel indicated that she has resided on West Second Street for the past 10-years. She stated that the last couple of years, the City has experienced a drought situation. She requested that flooding be addressed in the downtown as it is something that will affect downtown businesses.

Mayor/Chairman Tate informed Ms. Brown Korbel that the City has been working on flood mitigation for 60+ years, and that the City would continue to work on mitigating flooding.

Council/Agency Member Grzan indicated that the Council had a discussion with the City's local congressman; specifically about flood control/issues in Morgan Hill. He stated that the Council/RDA is diligent about following up on trying to obtain the funding in order to alleviate the flooding problems in Morgan Hill.

No further comments were offered.

Action: *The Council: 1) Conducted the Workshop; 2) Referred Issues to the Community and Economic Development Committee for Further Review; and 3) Directed Staff, as discussed above.*

City Council Action

WORKSHOP:

22. DISCUSSION REGARDING THE FRIENDLY INN AND EL TORO YOUTH CENTER

Businesses Assistance & Housing Services Director Toy presented the objectives for the workshop; including a background on the facilities and existing tenant obligations. He indicated that the workshop is in response to the Council's goal of discussing the Friendly Inn and the El Toro Youth Center. He said that a desired outcome of the workshop is for the Council to establish the public purpose for these two facilities; understanding the need for remodeling and costs. Further, that the Council consider various options for the site; building awareness of the evolving community and service level needs. Staff identified the next step directions.

Jim Dumas, project architect, addressed the condition/uses of the existing facilities and the master plan. He indicated that part of the Council's goal was for the City to evaluate the need for remodeling the facilities. He said that from a structural standpoint, the senior center will need review of its foundation system. He indicated that all buildings can use some upgrades to meet the American Disabilities Act as

well as to combine rooms. It is felt that a new plan could make the space more usable. The buildings can use new finishes and interior/exterior paint. He informed the Council that staff has retained Weston Miles Architects to complete the master planning process. He stated that the project's budget is between \$1-2 million; depending on the project scope to be identified by the Council. He stated that it is proposed to complete the master planning process in FY 2006-07, the design to take place in 2007-08, and that construction is to occur in 2008-09.

Recreation & Community Services Director Rymer addressed the second part of the Council's goal for this year: clarify the public purpose to be served by the remodeled facilities; including the review of policies. He addressed the events that have occurred in the community over the course of last year that may have an impact on the long term use of the facilities. He felt that this was an opportunity for the Council and the City to look at these facilities and the sites; including the services that are to be delivered to the residents. He requested that the Council review the site and the facilities in a comprehensive manner. He identified use options for the facility. He informed the Council that the City is deficient in the amount of open space and parkland available for active and passive recreation. One option is to consider the possibility of expanding the park site. He said that the process being proposed this evening is to review the Council's vision, purpose, objectives and goals for the buildings as they exist today, and for what the future will hold. Doing so will help staff clarify the public purpose before investing any additional resources into the space planning. Once the public purpose is identified, the Council would ask staff to solicit community partners or tenants for the buildings to help staff meet the Council's goals and objectives; designing the facility to meet their needs.

Mr. Rymer noted that the YMCA once utilized the entire Friendly Inn facility, and is currently using a portion of the facility as office space through a lease with the City through mid 2007. He stated that the majority of the services being provided, and a majority of the YMCA's staff, are being housed at the Centennial Recreation Center. He said that Proposition 49 monies fund after school educational safety programs. He stated that there was a memorandum of understanding that was signed between the School District and the YMCA that authorizes the YMCA to provide some of the youth oriented programming opportunities at the Friendly Inn. He informed the Council that staff met with South County Collaborative representatives in order to provide an update with what will be taking place with the Friendly Inn and the El Toro Youth Center building.

Mr. Rymer informed the Council that the Leadership Morgan Hill Class of 2007 may ask the City to allow the class to partner with the Grange for their class project (e.g., rehab effort). He stated that staff met with Community Solutions last week in order to understand some of their interest in moving forward in the future. He noted that recreation and community services became a department, and that it has delivered and expanded its service over the course of last year.

Mr. Rymer requested the Council review the vision, purpose and goals for the site and the buildings; keeping in mind the Council/RDA's desired outcome. Staff recommends that the City solicit and select interested groups that would meet the Council's objectives to be either tenants and/or community partners in these buildings. Further, that the Council finalize the master plan process discussed by Mr. Dumas; followed by planning, completion of the documents, and proceeding with construction. It is the hope to have renovated buildings that are serving one of the needs of the community.

In response to Council Member Grzan's question, Mr. Rymer indicated that the Parks & Recreation Commission has not had the opportunity to review/participate in any of the discussions relating to this item; nor has the Commission been directly involved to date. However, the Parks & Recreation Commission reviews the CIP annually; noting that the Friendly Inn-El Toro Youth Center has been a part of this process. Should the Council decide to solicit non profit organizations, the Commission may be able to assist with the development of a criteria.

City Manager Tewes informed the Council that the City has a multi year lease with Community Solutions. The lease stipulates that Community Solutions will provide a program of services to low income families and youth. These activities occur in the El Toro Youth Center as a result of public funds and some labor from various community organizations.

Mayor Tate opened the floor to public comment.

Kenneth Brown, Assistant at the American Legion, informed the Council that George Shebib, Commander of American Legion 444, is taking care of his son in Washington, D.C. who was injured in Iraq. He confirmed that the American Legion has a contract to use the facility until 2012. He informed the Council that the brown bag lunch group works out of their facility every Thursday. A church service takes place on Saturdays, and the Veterans of Foreign War (VFW) hold their meetings in the facility as well. Therefore, there is a lot of activity taking place. He requested the Council wait until Mr. Shebib returns to address the Council, and respond to any questions it may have.

Erin O'Brien, Community Solutions, indicated that El Toro Youth Center is a drop in center; therefore, the numbers vary. She stated that primarily low and very low income youths from the area utilize the services from the facility (e.g., homework assistance, recreation, computer/technology classes). She stated that this is a wonderful after school program, and that it has great outcomes in terms of improving youth's grades, attendance and behaviors in schools. She stated that over 400 unduplicated youths are served per year. She indicated that 42-60 kids visit the facility on a daily basis. She said that the El Toro Youth Center is a structured program with a lot of supervision, and that a lot of interaction is provided. She said that this is the only program Community Solutions has that has very little government funding. El Toro Center receives CDBG dollars from the City, and that they have to recapitalize it every year by writing grants. However, grant writing has become problematic for Community Solutions in terms of resources and running out of places to obtain funding. They are working toward obtaining a sustainable funding source; governmental funding. Community Solutions was hoping that Proposition 49 funding would provide the foundation for funding youth centers on an ongoing basis; giving them the base to pursue grant funding to make the program whole. However, Morgan Hill Unified School District took a different direction and that Community Solutions is not part of the partnership of Proposition 49 funding. Therefore, Community Solutions is challenged on how it will come up with ongoing funding for the Youth Center.

City Manager Tewes informed the Council that figuring out what to do with the Friendly Inn has been in the City's capital improvement program for approximately 5-6 years. It started out as a notion that the multi service social services being provided by the El Toro Youth Center might be expanding because of client load, and expanding into different areas of service. At one time, when there was a different sponsor for the organization, there was talk about offering health clinics, and a variety of other services.

He noted that one of the earlier PowerPoint slides presented to the Council this evening indicates that the City needs to be aware of the evolving community needs/financial situation. Five or six years ago, the City may have been talking about remodeling the Friendly Inn and the El Toro Youth Center to accommodate the potential for expanded service. Today, he sent the Council an e-mail from Community Solutions that states they are not in a position to advocate for additional space. He noted that the City has a resource in the community that will require a major investment to bring it to modern/usable standards, but the Council needs to determine what it wants to accomplish.

Lisa DeSilva informed the Council that Community Solutions has been having agonizing conversations and discussions. She acknowledged that the El Toro Youth Center has been in the community for approximately 19 years; an agency under Community Solutions for five years. She indicated that El Toro Youth Center has been providing great services to a population that would not be served in other areas. As they are struggling amidst major budget cuts in every area from all other funding sources, this is the one program that does not have continued funding. It was their hope to have bridge funding from the Santa Clara County Board of Supervisors that would provide them with the opportunity to find a stable source of public funding. She said that it was their hope that the Center would receive Proposition 49 funding, but that this is not an option as this funding is only granted to Lead Educational Agencies. Proposition 49 funds are based on schools that have at least 50% of children on free and reduced lunches. In the Morgan Hill Unified School District, the funds are guaranteed for P.A. Walsh and San Martin Gwinn Elementary Schools. She informed the Council that the School District decided to partner with the YMCA who offers other after school programs in San Jose and other areas. She noted that Proposition 49 funding is the only public option for after school programs. Not receiving this funding leaves them in a difficult position. She informed the Council that the population served by the El Toro Youth Center are neighborhood, low income youth and families, and felt that these families need to be served in their community.

Debbie Cupp, Executive Director for the YMCA, addressed the requirements necessary for Proposition 49 funding. She informed the Council that in their initial conversations, there were conversations about how the YMCA might be able to work with the El Toro Youth Center in order to find creative ways to make it work so that it would not affect their enrollment; noting that the Center's enrollment is dropping. She stated that the YMCA would agree to continue with these types of discussions. She addressed the after school programs the YMCA oversees.

Dina Campeau, South County Collaborative, requested the Council prioritize space for non profits/human service organizations. She felt the City could use this space to leverage good County services, as well as other non profit organizations. She stated that when the County and other San Jose based agencies consider coming down to serve South County, they will go to Gilroy and state that they have Morgan Hill covered. Based on transportation needs, she felt that Morgan Hill residents are underserved. She stated that she would be willing to facilitate tours of specific programs or panel discussions to answer specific questions relating to service providers. She indicated that it would be her preference to see office/direct service space provided; however, there is a need to be able to coordinate donated in kind goods as no one has space for this.

Jesse Jimenez, Director of the Victory Outreach Center located in Gilroy, indicated that he would like to work with community members and Morgan Hill in order to provide their services to the youth of the community; providing them with the help needed at the Friendly Inn Facility.

No further comments were offered.

Council Member Grzan felt it important to continue to provide the youth in the community with a place to go. He also felt it important to have community services, available in order to reach the population of the community in need of help. It was his belief that the Friendly Inn-El Toro Youth Center is the appropriate location in this community to provide the necessary services the youth need. He stated that the economic/culturally disadvantaged need to have a place to receive assistance, and that it was important for Morgan Hill to provide this service in the area where it occurs. He stated his support of the remodeling/refurbishing of the Friendly Inn so that it can continue to serve the portion of the City's population that needs these types of services. He did not see an alternative for the kids who find themselves in an academic disadvantage going to a place on a drop in basis. He acknowledged that programs are needed that provide professional guidance and assistance to deal with substance abuse, anger management, etc. It was his belief that the critical period for kids is after school until 6 p.m. This is the time that most juvenile delinquency problems occur. If there is a place for the kids to go to play that offers recreation and academic assistance and guidance, the City would be doing a good service to the community by providing these services.

Council Member Lee stated that she had the opportunity to tour the El Toro Youth Center a few months back, and that she was very impressed with the services provided. She recommended that the Friendly Inn be designed to be a companion to the El Toro Youth Center in order to provide additional services. She stated that she was supportive of having the City do what it can for the community because it would be serving underserved area. However, she did not know where the funding source would come from to proceed.

Council Member Sellers noted that this facility has been identified for improvement in the City's Capital Improvements Program for a long time, and that it was time to move forward. He thanked the non profit service providers for being in attendance this evening to address some of the issues and to identify the work they perform. He felt it imperative for Council members to familiarize themselves with the services being housed in the facility. He indicated that the American Legion facility has a kitchen facility; noting that there have been some additional needs there. There is also a kitchen facility at the senior center. He inquired whether the current uses would continue; especially with the existing kitchen facilities in place. He noted that there are significant repair and upgrade issues that need to be addressed. Had the senior center not been moved to the Centennial Recreation Center, it would have necessitated significant upgrades to the former senior center facility. He felt the City needs to undertake the upgrades. He was intrigued by the Sobrato model, on a smaller scale, as it would be the highest and best use within the main building in order to provide flexibility. He would agree to focus on non profit entities as the need is acute. He indicated that he spent a lot of time on the baseball field; however, he felt that it was time to consider removing this particular field, and to consider alternative uses (e.g., park use). He noted that this is the only green space in the regional neighborhood. He said that the community served in this neighborhood will not go elsewhere for services, and will not be served if the City does not focus on meeting the needs at this facility. He recommended the City start looking at complimentary

and ancillary services in the non profit sector that can add to the needs the Council is trying to provide with a core group of non profit service providers. He felt the need was acute enough to begin the master planning process. It was his hope that there would be a consensus of moving forward with a non profit model and that the City makes the improvements that are desperately needed; making alterations that will compliment this model.

Mayor Pro Tempore Carr felt that the Council needs to spend some time in trying to find out what the needs are. The idea for an incubator for service providers is a great idea. He stated that the City needs to determine who would be the tenants and who needs the services. He indicated that the baseball field is being used at all times. He noted that with the CDBG funding approved this evening, the replacement for the baseball field is for a multi purpose soccer field. As the City moves forward with the outdoor sports complex, there may be a home for a multi purpose soccer field. He recommended the Council look at who the interested groups are as the City cannot move forward without knowing who the tenants will be. He recommended that VFW representatives be included in the discussions in order to address their needs beyond 2012, and to build on these needs in some fashion.

Council Member Sellers said that should the baseball field be retained, it needs to be replaced.

Mayor Tate agreed that this area of the community needs to be served, and that it was his belief the City can find the right combination of tenants that can best serve this neighborhood. He felt the City has the obligation to fulfill its commitment with the American Legion, the Veterans of Foreign War, and the YMCA. He agrees that the City needs to provide for the youth in this area. He felt that an outstanding job is being done to achieve this goal by the El Toro Youth Center. He recommended the City work diligently to assist Community Solutions to find a way to continue with their services in this area. He noted that there was discussion about the Grange using the facility for some of its uses. He has not seen a good plan on how you would incorporate the Grange in this facility.

Mayor Pro Tempore Carr said that it could be that the public purpose is not to include the Grange in this space because the space would be used by larger service providers to have meetings when space is needed. He noted that non profits cannot afford rooms at the Community Center, and that this facility may be another option. He agreed with the notion that providing services in a neighborhood is important; however, he would like the City to be careful on how it states this and how it proceeds. He did not want it to be stated that the Crest Avenue neighborhood needs to stay to itself, and that the City needs to keep services there. It was his belief that the best way to serve the Crest Avenue neighborhood is to bring more services into the neighborhood.

Council Member Grzan agreed that a good investment in this facility would send a strong message to the Crest Avenue community that the City values it, and states that the City will invest in this community.

City Manager Tewes said that a good policy is one where you know what is contained in the policy, and what is not to be contained in the policy. He noted that there have been discussions about social service agencies, non profit services for youth, and neighborhoods; however, it is not clear what will be allowed/pursued in these facilities. He said that based on the Council's conversation this evening, staff would return with a written policy statement to determine whether staff has captured the Council's ideas. The Council can in turn endorse, modify or amend the policy statement. He indicated that staff does not

City Manager Tewes informed the Council that staff did not conduct outreach efforts to have individuals come to the Council meeting and explain their needs to the Council. Staff wanted to start out with identifying the Council's objectives for the public policy purpose.

Action: The City Council **Conducted** a Workshop and **Provided** Staff Direction as stated above.

No items were identified.

CLOSED SESSION:

1.

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Authority:	Government Code Sections 54956.9(b) & (c)
Number of Potential Cases:	1

Mayor Tate opened the Closed Session item to public comment. No comments were offered.

Mayor Tate adjourned the meeting to Closed Session at 10:30 p.m.

RECONVENE

Mayor Tate reconvened the meeting at 10:45 p.m.

CLOSED SESSION ANNOUNCEMENT

City Attorney Kern announced that no reportable action was taken in closed session.

ADJOURNMENT

There being no further business, Mayor/Chairman Tate adjourned the meeting at 10:46 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK/AGENCY SECRETARY

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CITY COUNCIL STAFF REPORT

MEETING DATE: April 4, 2007

Agenda Item # **10**

Prepared By:

Senior Planner

Approved By:

Community
Development Director

Submitted By:

City Manager

ZONING AMENDMENT, ZA-07-04: CITY OF MORGAN HILL- DOWNTOWN PARKING EXEMPTION

RECOMMENDED ACTION(S):

1. Open/close Public Hearing
2. Waive the First and Second Reading of Ordinance
3. Introduce Ordinance

EXECUTIVE SUMMARY: A request for an amendment to the Morgan Hill Municipal Code, Title 18, Section 18.50.027 extending the sunset date for the exemption for on-site parking requirements for commercial/office uses within the Downtown area.

The 2003 Downtown Plan calls for changing parking requirements in order to stimulate development in the downtown area. The suggested changes were to eliminate the on-site parking requirement for commercial use (1 space per 250 square feet) and to eliminate the guest parking requirement for residential uses (1 space per 4 units).

In 2004, the Planning Commission and City Council considered an ordinance to accomplish these suggestions, but the ordinance was not adopted at that time because it was decided that a downtown parking management plan should first be prepared to ensure parking supply and demand factors were studied, and measures/actions identified to ensure that long-term parking needs would be met downtown as it develops.

The Planning Commission reviewed a draft downtown parking management plan in June of 2005. The Commission had concerns with some of the assumptions associated with demand projections and the plan was not completed. It was agreed that more work needed to be done on the parking management plan to identify realistic assumptions, determine the actual projected loss of on-street parking due to Third Street and Depot Street improvements, and identify strategies for increasing and improving the public parking supply.

In July of 2005, the City Council adopted amendments to the parking ordinance that allow for commercial and residential guest parking exemptions for Measure C allocations awarded and commercial site review approvals obtained on or before March 1, 2007. This allowed for two years worth of competitions to occur, while the City and Redevelopment Agency work toward defining a more comprehensive strategy and funding for increasing and improving the downtown parking supply.

Included in the Community Development Department's work program this year is an update of the 2003 Downtown Plan. On March 21st, the City Council authorized the City Manager to negotiate a contract with a planning consultant to prepare an update to the plan. The parking management plan will be completed in conjunction with the Downtown Plan update.

Staff is proposing to extend the "sunset clause" for the parking exemption for a period of two years. This will allow for completion of the Downtown Plan update, as well as any necessary implementing ordinance amendments. Approval of the exemption may apply to future projects receiving Measure F allocations depending upon when the City Council establishes the application date for such projects, which should occur next month. Additionally, with relaxed parking standards, this amendment will encourage certain types of businesses to locate downtown.

On March 28th, the Planning Commission unanimously recommended approval of the proposed amendment. The timing of the hearing dates did not allow for the Planning Commission minutes to be included with this agenda item.

FISCAL IMPACT: Approval of the amendments will provide additional opportunities for certain businesses to locate downtown potentially increasing sales tax revenue.

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ORDINANCE NO. , NEW SERIES

**AN ORDINANCE OF THE CITY COUNCIL OF THE
CITY OF MORGAN HILL AMENDING SECTION
18.50.027 BY EXTENDING THE SUNSET DATE FOR
THE EXEMPTION FOR ON-SITE PARKING
REQUIREMENTS FOR COMMERCIAL/OFFICE USES
WITHIN THE DOWNTOWN AREA (ZA 07-04: CITY OF
MORGAN HILL – DOWNTOWN PARKING EXEMPTION)**

- SECTION 1.** The proposed zoning amendment is consistent with the Zoning Ordinance, Downtown Plan and General Plan.
- SECTION 2.** The zoning amendment is required in order to serve the public convenience, necessity and general welfare as provided in Section 18.62.050 of the Municipal Code.
- SECTION 3.** A Mitigated Negative Declaration has been adopted in conjunction with the Downtown Plan and the proposed zoning text amendment implements a recommendation contained in the Downtown Plan; therefore, no further review is required for compliance with the California Environmental Quality Act.
- SECTION 4.** The City Council hereby approves a zoning text amendment to Section 18.50.027 of the Zoning Ordinance by extending the sunset date for the exemption for on-site parking requirements for commercial/office uses within the downtown area (Exhibit A).
- SECTION 5.** Severability. If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.
- SECTION 6.** Effective Date; Publication. This Ordinance shall take effect thirty (30) days after the date of its adoption. The City Clerk is hereby directed to publish this ordinance pursuant to §36933 of the Government Code.

The foregoing ordinance was introduced at a regular meeting of the City Council of the City of Morgan Hill held on the day of March 2007, and was finally adopted at a regular meeting of said Council on the day of April 2007, and said ordinance was duly passed and adopted in accordance with law by the following vote:

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:

ATTEST:

APPROVED:

Irma Torrez, City Clerk

Steve Tate, Mayor

∞ CERTIFICATE OF THE CITY CLERK ∞

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Ordinance No. , New Series, adopted by the City Council of the City of Morgan Hill, California at a regular meeting held on the day of April 2007.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

EXHIBIT "A"

18.50.027 Exemption for downtown projects allocated/reviewed by March 1, ~~2007~~ 2009

For lots of record located within the Downtown Area Residential Density Control System (RDACS) Boundary area (as described by a map on file with the City Clerk), there shall be no requirement for provision of on-site parking for commercial/office uses. This exemption applies only to projects which receive site review approval or are awarded RDACS building allocations on or before March 1, ~~2007~~ 2009. (Ord. 1734 N.S., § 4, 2005)



MEMORANDUM

To: PLANNING COMMISSION

Date: March 27, 2007

From: COMMUNITY DEVELOPMENT DEPARTMENT

Subject: ZONING AMENDMENT APPLICATION, ZA-07-04: CITY OF MORGAN HILL-DOWNTOWN PARKING EXEMPTION.

REQUEST

Request for an amendment to the Morgan Hill Municipal Code, Title 18, Section 18.50.027 extending the sunset date for the exemption for on-site parking requirements for commercial/office uses within the Downtown area.

RECOMMENDATION

Environmental Assessment:	A Mitigated Negative Declaration was adopted in conjunction with the Downtown Plan, which addressed actions necessary to implement the Plan such as parking standards.
Application ZA 07-04:	Recommend City Council approval of the proposed amendment as shown in Exhibit "A" of the attached resolution.
Processing Deadline:	N/A – The Permit Streamlining Act does not apply to legislative acts.

BACKGROUND

The 2003 Downtown Plan calls for changing parking requirements in order to stimulate development in the downtown area. The suggested changes were to eliminate the on-site parking requirement for commercial use (1 space per 250 square feet) and to eliminate the guest parking requirement for residential uses (1 space per 4 units).

In 2004, the Planning Commission and City Council considered an ordinance to accomplish these suggestions, but the ordinance was not adopted at that time because it was decided that a downtown parking management plan should first be prepared to ensure parking supply and demand factors were studied, and measures/actions identified to ensure that long-term parking needs would be met downtown as it develops.

The Planning Commission reviewed a draft downtown parking management plan in June of 2005. The Commission had concerns with some of the assumptions associated with demand projections and the plan was not completed. It was agreed that more work needed to be done on the parking management plan to identify realistic assumptions, determine the actual projected loss of on-street parking due to Third Street and Depot Street improvements, and identify strategies for increasing and improving the public parking supply.

In July of 2005, the City Council adopted amendments to the parking ordinance that allow for commercial and residential guest parking exemptions for Measure C allocations awarded and commercial site review approvals obtained on or before March 1, 2007. This allowed for two years worth of competitions to occur, while the City and Redevelopment Agency work toward defining a more comprehensive strategy and funding for increasing and improving the downtown parking supply.

In November of 2006, the Redevelopment Agency amended the Redevelopment Plan. Among other things, the Plan Amendment increased the Agency's tax increment cap and reauthorized bonding. One of the goals of the Plan Amendment is to focus on projects needed for economic development, rehabilitation and infrastructure, particularly in the downtown. This is an important funding source that can be used to augment parking supply in the downtown. Further, in February of 2007, the City Council/Redevelopment agency adopted this policy for downtown: "Council and the Redevelopment agency commit to invest \$20 million in public infrastructure over the next five years to revitalize the downtown and stimulate private investment and reinvestment." At its March 21, 2007 meeting, the City Council committed to spending a significant portion of the \$20 million on the following lighting and parking improvements:

Lighting

- Add/enhance parking lot lighting
- Improve lighting on side streets
- Improve lighting on Monterey
- Add tree lighting
- Add lighting to Monterey median

Parking

- Develop new sites for parking including land acquisition and construction
- Consolidate existing parking (private and public lots)
- Secure long term leases for existing/new parking lots
- Improve existing parking lots
- Develop structured parking and/or underground parking lots

Included in the Community Development Department's work program this year is an update of the 2003 Downtown Plan. On March 21st, the City Council authorized the City Manager to negotiate a contract with a planning consultant to prepare an update to the plan. The parking management plan will be completed in conjunction with the Downtown Plan update.

CASE ANALYSIS

Since adoption of the temporary parking exemption, the City has granted residential allocations for nine projects totaling 363 units (see attached map). The commercial space included within the mixed use allocated projects comprises approximately 57,000 square feet. Aside from the RDCS projects, staff is aware of two other commercial projects that have benefited from the temporary parking exemption: a 4,000 square foot office building on Myrtle Avenue and a restaurant conversion on Monterey Street.

Last year, the Metropolitan Transportation Commission (MTC) selected Morgan Hill as one of eight Bay Area cities to participate in a study of how to reform parking policies to support smart growth around transit hubs and town centers. As part of the case study, a transportation engineer conducted parking counts last July. A draft analysis has been made available to planning staff which in part, compares counts taken in 2004 with those taken last summer. Preliminary data from those counts indicates that overall parking demand on both weekends and weekdays has remained fairly stable.

Staff is proposing to extend the "sunset clause" for the parking exemption for a period of two years. This will allow for completion of the Downtown Plan update, as well as any necessary implementing ordinance amendments. Approval of the exemption may apply to future projects receiving Measure F allocations depending upon when the City Council establishes the application date for such projects.

RECOMMENDATION

Staff is recommending that the Planning Commission recommend City Council approval of the zoning amendment.

Attachments:

Resolution
Downtown RDCS Map



CITY COUNCIL STAFF REPORT

MEETING DATE: April 4, 2007

SANTA CLARA COUNTY LIBRARY'S MOVING PLAN FOR THE MORGAN HILL LIBRARY

RECOMMENDED ACTION(S): Receive and file the report by the Santa Clara County Library regarding moving plans into the new Morgan Hill Library Building.

Agenda Item # **II**

Prepared By:

Julia Spier

Special Assistant to the
City Manager

Submitted By:

[Signature]

City Manager

EXECUTIVE SUMMARY:

City Council had previously requested that the Santa Clara County Library staff present a report on the moving schedule and plans for transferring equipment and materials from the existing Morgan Hill Library to the new library building. The County staff was also asked to report on how they will provide library services during the scheduled move.

Staff from the Santa Clara County Library office has prepared a short presentation for the Council's review at tonight's meeting. The move is scheduled to take place over a five week period starting June 8, when the library project will have its certificate of occupancy. Attached is the proposed move schedule and plan of service.

FISCAL/RESOURCE IMPACT: No budget adjustment required.

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SANTA CLARA COUNTY LIBRARY

1400 WINCHESTER BOULEVARD • LOS GATOS, CA 95032 • 408-293-2326 • 408-362-0111 FAX
ADMINISTRATION



March 22, 2007

TO: Morgan Hill City Council

FROM: Sarah Flowers, Deputy County Librarian
Santa Clara County Library

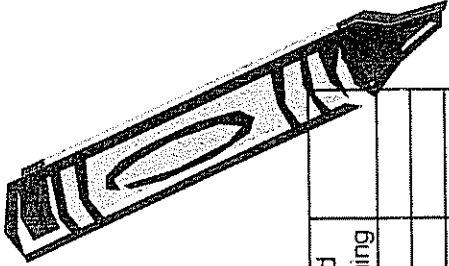
RE: Moving Plan for Morgan Hill Library

According to the information we have received from the City, the expected date when the County Library will have a certificate of occupancy for the new Morgan Hill Library is Friday, June 8. The Library's expectation is that we will be able to complete the move in five weeks. Professional movers, Morgan Hill Library staff, County Library II staff, and various vendors will all be involved in different tasks associated with the move.

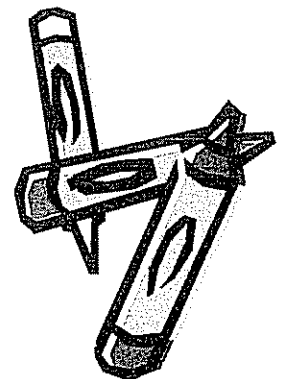
Attached is a schedule of tasks that need to be done during the 5-week period. All of these tasks assume that the building really is ready for occupancy. It is essential, for example, that the building is secure before we install any computer equipment, and that furniture is completely installed before we install computers.

Because Morgan Hill residents do not have any other easily accessible library option, we have made several plans to continue at least some level of library service. These services are detailed in the attached report.

Morgan Hill Library Move Schedule



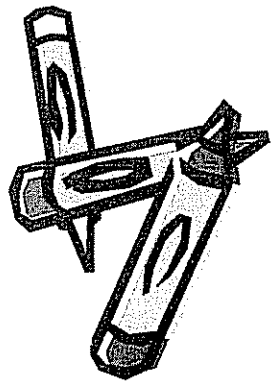
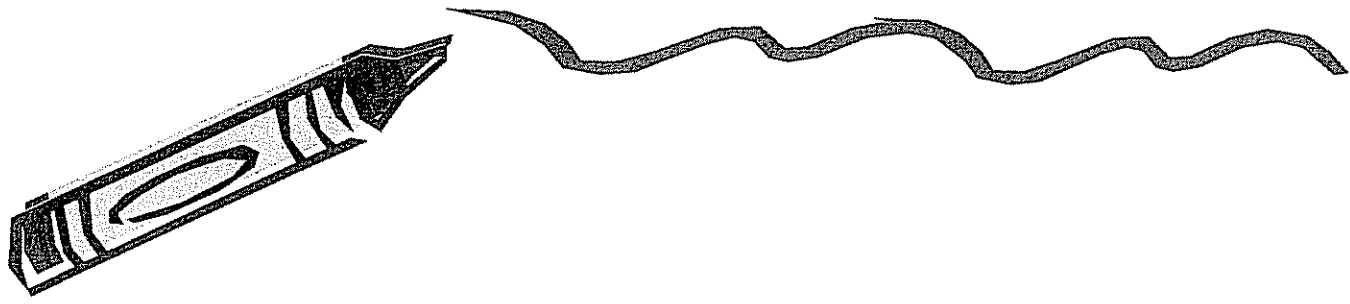
	Week 1	Week 2	Week 3	Week 4	Week 5	Grand Opening
Move computers, equipment & materials	=====					
Install new T1 line, routers, switches	=====					
Test & label installed cables	=====					
Install staff computers, printers, barcode readers, etc.	=====					
Install Automated Materials Handling System	=====					
Install telephone & PA system	=====					
Install wireless network	=====					
Unpack supplies & equipment		=====	=====			
Shelve and shelf-read collection		=====	=====	=====		
Install new servers			=====	=====		
Install public computers				=====		
Install self-check machines					=====	
Test all computers and equipment					=====	
Check in and shelve items returned during closure					=====	
Train staff on lighting & HVAC controls					=====	
Train staff on AMHS					=====	
Train staff on intrusion alarm and PA system					=====	
Prepare for grand opening						=====
Grand Opening						



Morgan Hill Library Move

Plan of Service

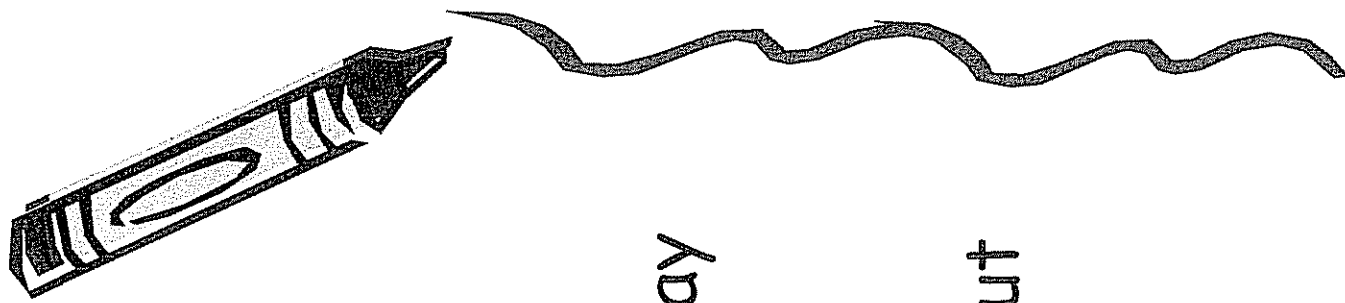
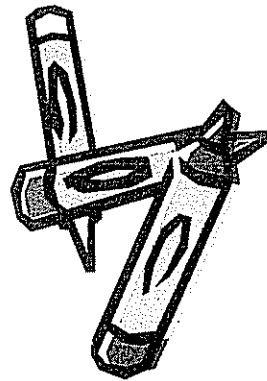
- Open until last week of school (June 8)
- Grand opening in July
- Summer Reading Club
 - sign-ups during May and on the Bookmobile
 - SRC party will take place in the new library



Morgan Hill Library Move

Plan of Service

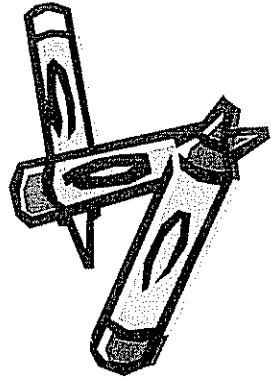
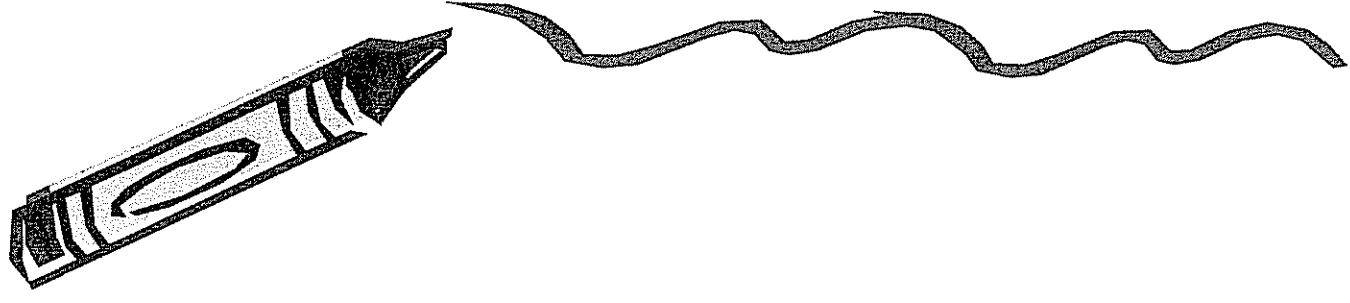
- Bookmobile
 - At old library location
 - Tuesday, Wednesday, Friday, Saturday
 - 10 a.m. to 2:30 p.m.
 - Computers not available
 - Books and DVDs available for checkout



Morgan Hill Library Move

Plan of Service

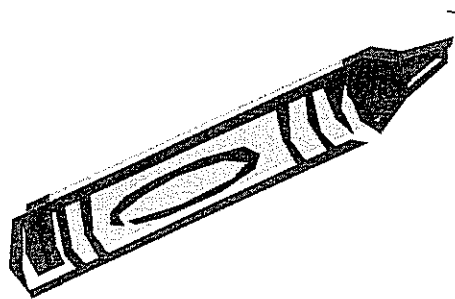
- Electronic Library 24/7
 - eBooks
 - Downloadable audio books
 - Full-text magazines
 - Library catalog



Morgan Hill Library Move

Plan of Service

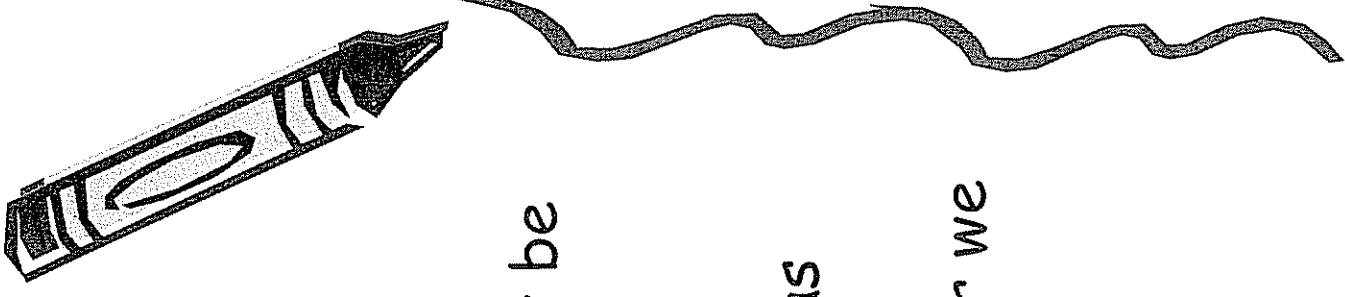
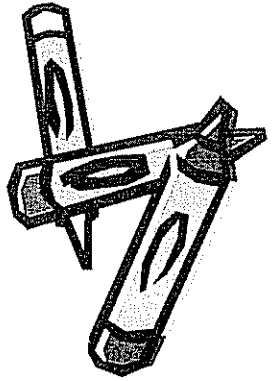
- Holds
 - Place holds from home via catalog (www.santacclaracountylib.org/catalog)
 - Set pick-up location for another library
- OR
- Holds will be delivered by US Mail to your home



Morgan Hill Library Move

Plan of Service

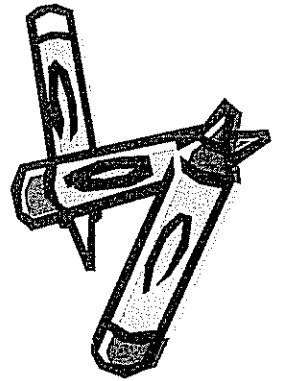
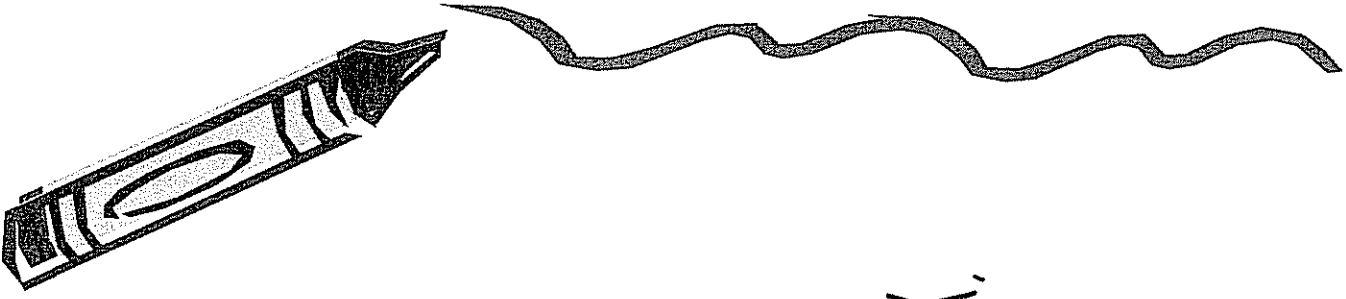
- Returns
 - All items checked out after May 12 will not be due until after the new library opens
 - Book drop will remain open at old library
 - Book drop at new library will open as soon as AMHS is working and area is accessible
 - The more items are checked out, the fewer we have to shelve!



Morgan Hill Library Move

Plan of Service

- Library staff members will be:
 - Unpacking, shelving, and organizing
 - Working on the Bookmobile
 - Working at Library Administration to
 - » Check in and box up MH returns
 - » Mail holds to MH patrons
 - » Learning systems and controls in the new library (HVAC, alarm, lighting, AMHS, PA, etc.)





CITY COUNCIL STAFF REPORT

MEETING DATE: April 4, 2007

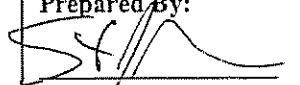
FRIENDLY INN AND EL TORO YOUTH CENTER BUILDING POLICY STATEMENTS

RECOMMENDED ACTION(S):

1. Adopt the Recommended Policy Statements for the Friendly Inn and El Toro Youth Center Building
2. Direct the City Manager to Meet with Community Solutions and Discuss Sustainable Budget Strategies for the El Toro Youth Center
3. Direct the City Manager to Solicit Potential Tenants According to the Recommended Eligibility Criteria
4. Direct the City Manager to Recommend a Final List of Tenants for City Council Consideration by July 2007

Agenda Item # **12**

Prepared By:


Director of Recreation
and Community
Services

Submitted By:


City Manager

EXECUTIVE SUMMARY:

On March 21, 2007, the City Council held a workshop to discuss "the needs for remodeling and modernization of the Friendly Inn and the building housing the El Toro Youth Center, and to clarify the public purposes to be served by the remodeled facilities."

As a result of the meeting, the City Council directed staff to develop policy statements (Attachment A) for City Council consideration. The purpose of the proposed policies is to provide direction for the next steps in the process. The statements focus on providing City subsidized space for grassroots, non-profit organizations that are able to meet a community need and assist the City Council in accomplishing its goals for the community.

Staff recommends that the City Council discuss and adopt the proposed statements and then direct staff to begin the process to solicit potential tenants. For the El Toro Youth Center building, staff recommends that the City Council direct staff to meet with Community Solutions to discuss sustainable budget strategies for the youth center. For the Friendly Inn, staff envisions soliciting potential partners through a Request for Proposal process, interviewing candidates, and making a recommendation for City Council consideration. If the policies are adopted, this process would begin immediately and take approximately three months to complete.

It is also important to note that the City has a contractual obligation with the American Legion for dedicated space at the Friendly Inn through 2012. Representatives from the American Legion would be invited to participate at appropriate times throughout the proposed process.

FISCAL/RESOURCE IMPACT:

There is no impact for Fiscal Year 2006/07.

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**City of Morgan Hill
Friendly Inn and El Toro Youth Center**

POLICY STATEMENTS

April 2007

El Toro Youth Center Facility

The El Toro Youth Center building is dedicated to our community's youth and their families in an effort to provide a safe and healthy environment that fosters opportunities to develop positive, lifelong skills. The City intends to partner with one community based organization or a single consortium of service providers to deliver a balance of program alternatives focused on serving low-income youth and supporting their families. The partner will be responsible to meet the needs of youth who live near the center while understanding that the program is open to all of the community's youth. Education assistance, youth leadership, recreation, and other social services should be essential components of the program. In recognition of the services provided, the partner will receive City subsidized lease rates to assist in the financial sustainability of the organization.

Friendly Inn

The purpose of the Friendly Inn is to enhance the quality of community life. It is the City's intent to provide subsidized space at the facility for grassroots, non-profit organizations that strive to meet an identifiable, social service, community need. The Friendly Inn is not intended to serve as a rental, event, or recreation center that directly competes with existing City services.

The City Council anticipates partnering with organizations that recognize the value in leveraging resources and reducing duplication. To that end, non-profit organizations that can demonstrate expertise in delivering social services, are eligible for CDBG funding, and meet the adopted eligibility criteria may receive subsidized space. The City Council recognizes the fact that the community's service level needs will continue to evolve over time and intends to formally review the facility's purpose and tenants every five years.

Eligibility Criteria

Prospective community partners that meet the eligibility criteria will be considered for tenancy at the Friendly Inn. Preference will be given to organizations that directly deliver the majority of their services to Morgan Hill residents at the facility.

1. Non-profit status under the IRS Code section 501.C3 or other appropriate designation
2. CDBG funding eligible
3. History working in the community
4. Able to clearly identify a community need and explain how proposed services will assist in improving residents' quality of life

ATTACHMENT A

5. Describe how the organization will assist the City Council in satisfying its goals
6. Provide plans to collaborate or partner with other organizations to leverage resources and reduce duplication
7. Demonstrate a financial need for subsidized lease rates including full disclosure of operating revenues and expenses

Furthermore, it is expected that partner organizations agree not to request City funds to support any portion of operations above and beyond the subsidized lease rates and potential CDBG funding. The City will retain responsibility for exterior maintenance operating expenses.



REDEVELOPMENT AGENCY

MEETING DATE: April 4, 2007

LOAN REQUEST FROM EL TORO BREWING

RECOMMENDED ACTION(S): Consider request for financing from El Toro Brewing Company and, if approved, direct the Executive Director to prepare and negotiate an agreement with El Toro and return to the Agency for the approval of the agreement.

EXECUTIVE SUMMARY: In July 2005, the Redevelopment Agency (Agency) approved a DDA with El Toro Brewing Company (El Toro) to develop a restaurant/brew pub in the police building at 17605 Monterey Road. El Toro opened its doors for operations in November 2006. They received the certificate of completion from the Agency on February 15, 2007.

In the attached letter from El Toro, they are requesting assistance from the Agency to bridge the deficit between their construction financing and final construction costs. The gap is about \$400,000. El Toro indicates that they experienced cost overrun beyond their control and that they currently lack the equity to fill the gap. To date, El Toro has invested almost \$1,000,000 of equity into the project which includes the purchase of the property. Their request is for a short term, five year loan from the Agency in the amount of \$400,000. El Toro has tried to pursue SBA financing but hasn't been in operation long enough to meet their criteria. Their construction lender, Heritage Bank, has indicated that they are unable to increase their \$1,882,000 loan at this time, but may be willing to consider an increase depending on El Toro's current financial position. The bank loan is at a 75% LTV (loan to value ratio). The appraised value of the restaurant is about \$2.5M. It would be highly unlikely that the Bank would fill the entire gap.

El Toro indicates "time is of the essence" as his contractor is demanding payment. They also state that their project has benefited downtown and the Agency's assistance would help to ensure its success. Without the Agency's assistance, El Toro would most likely be unable to pay off the contractor. However, we're not sure how that would impact the operation or the financing of the restaurant. The project would be eligible to receive Agency assistance and would be consistent with assistance provided to other projects like the Granary and Gunter Bros. However, one of the conditions of the project was that El Toro would not require any financial assistance from the Agency.

Should the Agency provide the requested gap financing, there is adequate security for the Agency loan. When combined with an Agency loan of \$400,000, the total LTV would be about 91%. In addition, the facility is, in essence, a single use facility, meaning even if the bank were to foreclose, the building would most likely remain a restaurant use, as it wouldn't make sense to convert the building to another use. In terms of the ability to repay, El Toro's financial projections, based on four months of operation, would indicate El Toro can make monthly payments or a balloon payment in five years.

To limit the Agency's exposure, any financial assistance should have interest at LAIF plus 1/2% (5.5%), El Toro should be required to seek refinancing within 12 months, the loan should not exceed a 5 year term, and staff should be directed to work with El Toro's lender to limit the Agency's exposure.

FISCAL IMPACT: Up to a \$400,000 short term loan.

Agenda Item # 13

Approved By:

BAHS Director

Submitted By:

Executive Director

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17605 Monterey Road, Morgan Hill, CA 95037
(408) 782-2739

March 15, 2007

Redevelopment Agency
City of Morgan Hill
1555 Peak Avenue
Morgan Hill, CA 95037

Re: Request for \$400,000 Loan to Bridge Deficit between Construction Loan and Final construction Costs

Dear Redevelopment Agency Board:

We have recently completed construction and received project final inspection from the City of Morgan Hill Building Department. Our project went several hundred thousand dollars over its construction budget. This was due to a number of circumstances outlined below. Cindy and I even injected additional equity into the project from a recent refinance of our home to cover construction that our contractor would not do at a reasonable cost to us or simply did not budget for. This covered the flooring, kitchen equipment, bar construction, refrigeration, our computer point of sale system and a few other small things. These items came to approximately \$200,000.

At this juncture, we owe our General Contractor, Farotte Construction, about \$450,000 for November-December 2006 payments and the retention. This is not included in our recent \$200,000 equity injection noted above. Heritage Bank can make about \$80,000 available to us to be able to transition our construction loan, now mature and due, into a mini perm loan, but the \$400,000 to finish off the general contractor remains. (Please note in our reference memo attached that \$103,990.13 is listed. However, interest payments have been removed since that letter was written to us.) We are seeking \$400,000 in financing from the Morgan Hill Redevelopment Agency in order to successfully transition from our development and construction phase of our project to our fully operational brewpub.

To be clear, the over budget came about due to numerous change orders that were presented to us in the past several months. Mostly due to what the contractor represented were non bid items or ambiguities in the drawings needing clarification beyond the original scope of work. Many could have been argued, but would have also stopped work

each and every time they were presented to us. Some of the higher dollar change orders came about due to the unforeseen repairs we had to due to the building or property during construction that were out of the contractor's scope of work. These included soffit repair and replacement, dry rot repairs and water damage to the interior wall structural plywood, underground electrical repairs, roof structural repair and upgrade and fire monitoring system repair to underground conduit. We could provide you with the change orders if you like or I could make the originals available for you review, which I have here in the office.

Our preferred loan package with the RDA would be to structure the loan to terminate when the DDA expires. The RDA will be tied to our title through the DDA and the loan. They both would terminate at the same time. We are flexible as to the payment plan however, we would prefer a balloon payment at the end, which will give us time to save to pay the loan off or develop enough equity in the business and property to repackage all of our financing.

As far as alternatives to asking the City for help I think you are aware of the same sort of creative financing agencies as we are. We are concurrently exploring those routs too. We specifically have approached several traditional lending institutions for financing. The most promising has been with Wells Fargo. However, our confidence level in being able to put a package together with them is low. Especially in being able to get all criteria satisfied for them and get processed in a timely manner. We would like to strongly emphasize here that "time is of the essence". Our contractor has been increasingly applying pressure on us to get him and his sub contractors paid.

We prefer working with the RDA since this project is considered an RDA project and this will only help to strengthen that. We believe our project has contributed positively toward the down town development and business mix and will help shape the types of businesses that will come here for years to come. We also believe that of all of the alternatives we have that you could help us in the most expeditious manner.

We will make any construction, development and financing documents that you may require available to you in support of our request. In should also be relevant that we currently employ 45 people and have had as many as 50 working for El Toro Brewpub.

Thank you for your consideration of assisting us and ensuring our project remains successful for decades to come.



H. Geno Acevedo, Owner
El Toro Brewpub

Page 3
Letter Requesting Bridge Loan from
City of Morgan Hill RDA

Reference memo for our Construction Loan Financing Bank; Heritage Bank:

Hi Geno,

As we discussed, the construction loan commitment is \$1,882,000. Your current balance is \$1,778,009.87 leaving an undisbursed balance of \$103,990.13. After reviewing with you and Cindy, we concluded that there is approximately \$465,828.87 due to the contractor for work completed - detailed below:

Funds still owed to contractor

Draw #13 - \$257,000

Nov/Dec - \$154,828.87

Retention - \$54,000

Total - \$465,828.87

Less remaining const loan funds - (\$103,990.13)

Gap financing needed - \$361,838.74

As we discussed, it would be difficult to provide you this additional financing when rolling to the short term permanent loan. At the current commitment of \$1,882,000 we are at a 75% loan to value (LTV) which is at the banks maximum for risk tolerance. If we are to roll to the short term permanent facility, the bank will need to review the following information:

- Pub financials since opening (income statement/Balance sheet)
- updated financials on Huntington Beach
- updated pub business projections
- updated personal financial statements as guarantors on the loan

With this information, I would be able to give you a better idea at what the bank would be able to do for you...in regards to an increased LTV.

The other piece of this is that I would need to include the debt service coverage of the City's "gap" loan along with my mini permanent loan. My analysis of your financials would need to reflect your ability to make those monthly principal and interest payments of both the city and my loan as well as allowing for the ability to pay your personal monthly debts (home mortgage, credit cards, etc.) That analysis will determine what LTV I can stretch to if anything is at all possible. Of course, all proposed facilities would still need to be reviewed and approved by our internal loan committee.

I hope this answers all the questions, please let me know if there are any other questions/comments.

thank you

stephanie

Page 5
Letter Requesting Bridge Loan from
City of Morgan Hill RDA

Stephanie Leimas
Vice President
Real Estate Construction Lending
Heritage Bank of Commerce
18625 Sutter Blvd.
Morgan Hill, CA 95037
(408) 782-5264
Fax (408) 778-6420
stephanie.leimas@herbank.com

Letter to City – Bridge Loan Request 2 doc

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CITY COUNCIL/REDEVELOPMENT AGENCY STAFF REPORT

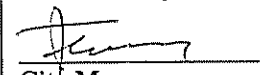
Agenda Item #

14

Prepared By:


Council Services &
Records Manager

Submitted By:


City Manager

MEETING DATE: APRIL 4, 2007

REVIEW OF COUNCIL POLICY, CP-06-02: CITY COUNCIL & REDEVELOPMENT AGENCY MEETING SCHEDULE

RECOMMENDED ACTION(S):

1. Review the Adopted City Council-Redevelopment Agency Policy; and
2. Direct staff regarding any recommended changes

EXECUTIVE SUMMARY:

The City Council and Redevelopment Agency have adopted a regular meeting schedule; meeting on the 1st, 3rd and 4th Wednesdays of each month. In March 2006, the Council/Redevelopment Agency Board adopted City Council Policy, CP-06-02: City Council and Redevelopment Agency Meeting Schedule. This policy stipulates that the City Council and Redevelopment Agency will meet as scheduled with the following exceptions:

- 1st meeting in January is to be canceled should City employees be furloughed during the Christmas-New Year time period.
- 1st meeting in July is to be canceled
- The 1st and 3rd Wednesday meetings in August are to be canceled
- Cancellation of the meeting in November if it falls on the day before the Thanksgiving Holiday
- Cancellation of the December meeting if it falls on the Christmas Holiday, and/or during the Holiday furlough

One of the Council Services & Records Manager's 2006-07 workplan items is the review of adopted policies to determine if they need to be amended or deleted, if obsolete. Although this policy was adopted a year ago by the Council-Redevelopment Agency, the Council-Redevelopment Agency Board make-up has changed with the addition of a newly elected member Council Member who did not have benefit of participating in the Policy's adoption. Therefore, the Council may wish to review the policy and make recommended changes deemed necessary and appropriate. Should the Council-Redevelopment Agency Board agree to make changes, staff will return to the Council with a draft revised Policy and possible ordinance amendment(s), should the policy and ordinance need to comport with each other. Staff has attached Council Policy, CP-06-02 and Section 2.04.010 of the Morgan Hill Municipal Code: City Council Meetings – Time & Location.

FISCAL IMPACT: No fiscal impact. The time necessary to prepare the staff report is accommodated within the Council Services & Records Manager's operating budget.

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CITY OF MORGAN HILL

CITY COUNCIL/REDEVELOPMENT AGENCY

POLICIES AND PROCEDURES

CP-06-02

**SUBJECT: CITY COUNCIL AND REDEVELOPMENT AGENCY
MEETING SCHEDULE**

EFFECTIVE DATE: March 22, 2006

The City Council and the Redevelopment Agency Board have ordained that regular meetings are to be held on the first, third and fourth Wednesdays of every month at 7:00 p.m. In the event of a legal holiday occurring on a regular City Council/Redevelopment Agency meeting day, the meeting(s) will be canceled.

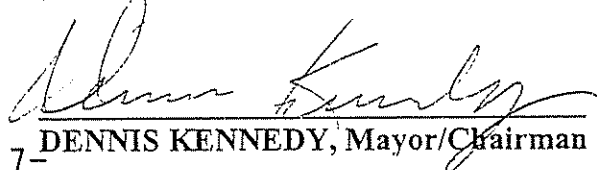
The City Council/Redevelopment Agency desires to take official legislative recesses, at various times, to accommodate community and civic commitments, vacations, and the City's operations schedule. As such, the following meeting schedule will apply for the months of January, July, August, November and December of every year:

- For the month of January, regular meetings will be held on the first, third and fourth Wednesdays of the month, beginning at 7:00 p.m. Should the City furlough its employees the last week in December, the first meeting in January shall be canceled.
- For the month of July, regular meetings will be held on the third and fourth Wednesdays, beginning at 7:00 p.m. The first Wednesday meeting to be canceled.
- For the month of August, a regular meeting will be held on the fourth Wednesday of the month, beginning at 7:00 p.m. The first and third Wednesday meetings are to be canceled.
- For the month of November, regular meetings will be held on the first, third and fourth Wednesdays, beginning at 7:00 p.m.; unless the Wednesday meeting date falls the day before the Thanksgiving Holiday. In which case, said meeting will be canceled.
- For the month of December, regular meetings will be held on the first, third and fourth Wednesdays, beginning at 7:00 p.m.; unless the Wednesday meeting date(s) fall on the Christmas Holiday and/or during the Holiday furlough. In which case, said meeting(s) will be canceled.

The City Council/Redevelopment Agency shall have the ability to adjust and/or add other meeting dates, as deemed appropriate

This policy shall remain in effect until modified by the City Council or Redevelopment Agency Board, respectively

APPROVED:


DENNIS KENNEDY, Mayor/Chairman

Chapter 2.04

CITY COUNCIL

Sections:

- 2.04.010 Meetings—Time and location.
- 2.04.020 Salary of council members.
- 2.04.030 Salary of the mayor.

2.04.010 Meetings—Time and location.

The regular meeting of the city council shall be held on the first, third, and fourth Wednesdays of every month. If at any time a regular meeting falls on a holiday, such regular meeting shall be canceled. All meetings shall be held in the Council Chambers located at the Civic Center, 17555 Peak Avenue, Morgan Hill, California, at seven p.m., or at another time or location as designated by minute order of the city council. (Ord. 1762 N.S. § 1, 2006; Ord. 1267 N.S., 1996; Ord. 981 N.S. § 1, 1990; Ord. 690 N.S. § A, 1984; Ord. 470 N.S. § B (part), 1978)

2.04.020 Salary of council members.

Pursuant to the provisions of Section 36516 of the Government Code, each of the members of the city council shall receive a monthly salary of three hundred dollars thirteen dollars payable at the same intervals as other city employees are paid. This amount was calculated by first taking the existing monthly city council member salary of three hundred dollars and increasing this amount by the two and one half percent "change in the consumer price index for urban wage earners and clerical workers" for the San Francisco-Oakland-San Jose, California local area for the year ended December 2004, and then by increasing that product by the one and seven tenths percent "change in the consumer price index for urban wage earners and clerical workers" for the San Francisco-Oakland-San Jose, California local area for the year ended December 2005.

Pursuant to Section 36516.5 of the Government Code, this section shall take effect whenever one or more members of the city council begins a new term of office, after the adoption of the ordinance codified

in this section. (Ord. 1780 N.S. § 1, 2006; Ord. 734 N.S. § A, 1985; Ord. 470 N.S. § B (part), 1978)

2.04.030 Salary of the mayor.

Pursuant to Section 36516.1 of the Government Code, which permits a mayor elected pursuant to Sections 34900 to 34904, inclusive, of the Government Code to be provided with compensation in addition to that which he or she receives as a council member, the mayor of the city shall receive a monthly salary of five hundred twenty-one dollars payable at the same intervals as other city employees are paid. This amount was calculated by taking the existing monthly incremental mayoral salary of five hundred dollars and increasing this amount by the two and one half percent "change in the consumer price index for urban wage earners and clerical workers" for the year ended December 2004, and then by increasing that product by the one and seven tenths percent "change in the consumer price index for urban wage earners and clerical workers" for the year ended December 2005. This salary is to be paid in addition to the amount specified in Section 2.04.020 (Salary of council members).

Pursuant to Section 36516.5 of the Government Code, this section shall take effect whenever one or more members of the city council begins a new term of office, after the adoption of the ordinance codified in this section. (Ord. 1780 N.S. § 2, 2006; Ord. 1292 N.S., 1996)



CITY COUNCIL STAFF REPORT

MEETING DATE: April 4, 2007

Agenda Item # **15**

Submitted By:

/Mark Grzan/
Council Member Grzan

ENDORSEMENT OF SB 840, UNIVERSAL HEALTH INSURANCE

RECOMMENDED ACTION(S): That the City Council adopt a resolution expressing support for Senate Bill (SB) 840, the California Health Insurance Bill and urging the State Legislature and the Governor to support SB 840.

EXECUTIVE SUMMARY:

There is a continuing, long-term and growing health care crisis in the United States and, particularly, in California. The costs of health care to individuals, families, employers such as the City of Morgan Hill, and the public are soaring to unprecedented levels. In America, 45 million are without health insurance. Sixty-eight percent of all personal bankruptcies are health related. As a result of this crisis, individuals and families find it increasingly difficult if not impossible to meet their basic health care needs.

Senate Bill (SB) 840 sponsored by State Senator B. Kuehl and co-authored by Assemblyman J. Laird was introduced last year and passed both houses of the State legislature. It was vetoed by Governor in October 2006. As reintroduced, it will provide a reliable, fiscally sound insurance plan to cover all Californians based on quality care assured through comprehensive benefits, scientific evidence-based health care guidelines, guaranteed access, and decisions made by individuals and their doctors.

In 2004 the Lewin Group was commissioned by the HCA-CA Education Fund to study the economics of then SB 921, now SB 840. According to the report, the plan is projected to save Californians \$8 billion in the first year through streamlining administration, bulk purchasing of prescription drugs and durable medical equipment, and providing primary and preventive care along with the use of universal information technology and cost control tools. The approximately 25% of healthcare costs that is spent on administration today would be reduced to about 4% (similar to Medicare's administrative costs.)

The State and local governments would save \$900 million in the first year; businesses and employers would see savings of 16% in health costs in the first year; families would see an average savings of \$340 in the first year; and families with an income of less than \$150,000 would see a savings of \$600 to \$3,000 in the first year. The Lewin Group study projected costs of healthcare for ten years. Under the current system, costs would grow at a greater pace than they would under a single insurance fund. By the end of the ten year period, Californians would save a total of \$344 billion with the new plan. SB 840 requires no new State spending, but rather a more rational reallocation of current public health care spending.

The City of Morgan Hill would benefit in the passage of SB 840. The residents of Morgan Hill and the entire state would benefit in the passage of the bill. Council's endorsement would encourage our legislators to pass health care reform for which we would all benefit.

FISCAL/RESOURCE IMPACT: None

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Comparison of Perata, Núñez, Schwarzenegger, and Kuehl Health Care Reform Proposals

	Senate President Pro Tempore Perata SB 48	Assembly Speaker Núñez	Governor Schwarzenegger	Senator Kuehl Plan SB 840
Individuals Covered	Working Californians and dependents	Working Californians, including part-time and seasonal workers and dependents. All children, regardless of residency status, up to 300% federal poverty level (FPL). Intent to cover single, unemployed adults not currently eligible for any public program by 2012	All Californians	All Californians
Individual Mandate	Working Californians and dependents would be required to have a minimum health coverage policy Minimum coverage benefit level to be determined by the Managed Risk Medical Insurance Board Enforced through the tax code	None	Individual Mandate: All Californians, including children, would be required to have minimum health coverage. Minimum covered defined as a \$5,000 deductible plan with maximum out-of-pocket limits of \$7,500 per person and \$10,000 per family Enforced through wage withholding and the tax code.	None
Employer Mandate; Employee Responsibility; Other income requirements	Pay or Play: <ul style="list-style-type: none">Employers would be required to spend a certain percentage of payroll (adjusted on a sliding scale basis) for employee health insurance OR pay an equivalent amount to a State Trust Fund along with an employee contribution	Pay or Play: <ul style="list-style-type: none">Employers would be required to provide employee health coverage OR pay a fee based on "fair share" percentage of payroll Exemptions for: <ul style="list-style-type: none">firms of less than two workersfirms with payroll of \$100,000 or lesscertain newly established firms in business for less than three years <ul style="list-style-type: none">All employees who are offered coverage at work would be required to accept coverage for them and their dependents, provided their share of costs does not exceed a reasonable percentage of their income. Employees whose employers pay rather than offer coverage would pay a percentage of their income	Pay or Play: <ul style="list-style-type: none">Employers would be required to spend at least 4% of payroll for employee health insurance OR pay an equivalent amountCurrently the cost to employers ranges between 8-11% of payrollExemption: Employers with fewer than 10 employees	<ul style="list-style-type: none">Employers would be required to pay the California Health Insurance System 8 17% of payroll for employee health insuranceEmployees would be required to pay the California Health Insurance System 3 78% of their incomeSelf-Employed individuals would have to pay the employer and employee contributions, totaling 11 95% of their incomeHigh income earners would be required to pay the California Health Insurance System 3 78% of their income and a surcharge of 1% of any income above \$200,000Individuals would also be required to pay the California Health Insurance System 3 5% on any unearned income
Medi-Cal Rate Increase	No	No	Yes \$4 billion to increase rates closer to Medicare level	Reduces physician and administrative expenses
Purchasing Pool	Yes, the "Connector"	Yes, the CA Cooperative Health Insurance Purchasing Program (Cal-CHIPP)	Yes	Yes, the California Health Insurance System

	Senate President Pro Tempore Perata SB 48	Assembly Speaker Núñez	Governor Schwarzenegger	Senator Kuehl Plan SB 840
Individual Contribution to Obtain Coverage Through Purchasing Pool	For participating employees, no additional cost for basic coverage	No additional cost for basic coverage	Sliding scale individual contribution 3%-6% of gross income required to obtain coverage through purchasing pool	No additional costs. No co-payments or deductibles for the first 2 years
Tax Incentives	No	All employers required to establish "Section 125 plan," allowing employees to use pre-tax income for health expenses	All employers required to establish "Section 125 plan," allowing employees to use pre-tax sheltered income for health expenses State tax conformity on Health Savings Accounts	No
Medi-Cal/Healthy Families Expansion/Changes	(see note under Financing)	Increase Medi-Cal and Healthy Families for all families up to 300% FPL, children would be covered regardless of residency status. Wrap-around Medi-Cal and Healthy Families benefits for eligible persons with employers sponsored coverage	Expand Healthy Families/Medi-Cal for all children, regardless of residency status, up to 300% FPL. Expand Medi-Cal to include all legal resident adults up to 100% FPL. Establish "bright-line" threshold between Medi-Cal and Healthy Families/new purchasing pool at 100% FPL	Consolidates all public health programs and private health plans into a single statewide health plan so all Californians will have access to the same health benefit coverage
Insurance Market Reforms	For health plans participating in the purchasing pool: <ul style="list-style-type: none">▶ guaranteed issue▶ community rating	<ul style="list-style-type: none">▶ Prohibits exclusion of coverage for minor health conditions, as determined by MRMIB▶ Restructures the state's high-risk pool and requires MRMIB to determine specific excludable pre-existing conditions for inclusion in the high-risk pool▶ Requires health insurers to offer uniform benefit designs in and outside of Cal-CHIPP	Health plans: <ul style="list-style-type: none">▶ Guarantee coverage in the individual market▶ Rates based only on age and geographic area in the individual market 85% of premiums must be spent on patient care	By consolidating all health plans into one universal health plan, it would provide: <ul style="list-style-type: none">▶ guaranteed issue▶ community rating with one statewide purchasing pool

	Senate President Pro Tempore Perata SB 48	Assembly Speaker Núñez	Governor Schwarzenegger	Senator Kuehl Plan SB 840
Financing	<ul style="list-style-type: none"> ▶ Employer contributions ▶ Employee contributions ▶ Federal funds Sources are: ▶ <ul style="list-style-type: none"> ✓ Increase Medicaid for working parents to 300% FPL ✓ Increase State Children's Health Insurance Program (SCHIP) for legal resident children to 300% FPL 	<ul style="list-style-type: none"> ▶ Employer contributions ▶ Employee contributions ▶ Federal funds (Medicaid, SCHIP) ▶ Surcharge on health insurance premiums (to finance high-risk pool) 	<ul style="list-style-type: none"> ▶ Employer contributions (\$1 billion) ▶ Employee and individual contributions (unknown) ▶ Federal funds and redirection of safety net funds (\$5.5 billion) ▶ Redirect county funds, which includes realignment funds (\$2 billion) ▶ 2% fee on physician revenues and 4% fee on hospital revenues (\$3.5 billion) 	<ul style="list-style-type: none"> ▶ Employer contributions ▶ Employee contributions ▶ Federal funds ▶ Redirect county funds ▶ Assessment on high income earners ▶ Assessment on unearned income <p>The employer contributions would replace premiums currently paid, providing on average a savings of 7.9 billion- according to the Lewin Report</p> <p>State and local governments would save \$900 million dollars, according to the Lewin Report</p> <p>Savings: A combined savings of \$25 billion due to bulk purchasing, consolidation of administrative savings, and an emphasis on primary and preventative health care, according to the Lewin Report</p>
Cost Containment	<p>Within the purchasing pool:</p> <ul style="list-style-type: none"> ▶ Managed competition through choice of health plans ▶ Medi-Cal managed care buy-in ▶ Cap on health plan administrative costs and profits ▶ Plans must implement evidence-based practices that control cost growth, including preventive care, case management for chronic diseases, promotion of health information technology, standardized billing practices, reduction of medical errors, incentives for healthy lifestyles, appropriate patient cost-sharing, and rational use of new technology 	<ul style="list-style-type: none"> ▶ Disease management in state health coverage programs ▶ Pay-for-performance for state-funded health coverage programs ▶ Require plans and providers to participate in a personal health records system ▶ Simplify benefit designs ▶ Uniform benefit designs will include preventive services ▶ Healthy lifestyles programs ▶ Centralized technology assessment 	<ul style="list-style-type: none"> ▶ Reduce regulatory requirements on health plans ▶ Reduce regulatory requirements in order to promote certain delivery models, such as retail clinics ▶ Pilot to combine workers' compensation with traditional health coverage ▶ Health plans must offer "health actions" rewards and incentives with benefit packages ▶ Promote health information technology, patient health records ▶ Link future Medi-Cal provider and plan rate increases to performance ▶ Make changes to seismic safety requirements for hospitals ▶ Data reporting and quality monitoring 	<ul style="list-style-type: none"> ▶ Reduces administrative costs by consolidating the hundreds of different administrative functions in the current system into one system ▶ Creates one statewide risk pool to spread the risk over the entire system ▶ Promotes preventative care and disease management ▶ Promotes electronic medical records to ensure quality of care and reduce medical errors ▶ Employer and employee contributions could not increase without a change to state law
Implementation Timeline	Not specified	<p>July 2008 – insurance market reforms, kids coverage</p> <p>January 2009 – Pay or play employer mandate</p> <p>January 2012 – coverage for remaining uninsured</p>	Not specified	3 year phase in from the date the bill is signed into law

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